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World Business Newspaper http://www.FT.com MONDAY DECEMBER 30 1996

Freeze gripping Europe kills at least 50 people

More than 50 people have died in Europe in the past week in the continent's worst cold spell for a decade. Miles of Germany's rivers are closed to shipping because of ice, and much of central Italy is paralysed by heavy snow. Blizzards hit Croatia's usually mild Adriatic coast, and in the former Soviet republic of Moldova the government declared a state of emergency after Russian gas giant Gazprom halved deliveries to force the country to pay arrears. Weather, Page 14

Bulgaria in turmoil: Bulgaria's ruling Socialists must try to construct a replacement government this week following the resignation of prime minister Zhan Videnov and his cabinet. They will have to pick an alternative candidate to prevent the opposition benefiting from the power vacuum. Page 14

Labour challenge on investment: Britain's opposition Labour party accused the government of deceit over its record on inward investment. It produced figures suggesting that 80 per cent of 1995's foreign capital inflow involved takeovers of UK companies. Page 4

Sixteen feared drowned: Hope faded for 16 people missing after a cargo ship capsized in the Aegean Sea in weekend storms. Four bodies were found by divers. Another 28 seamen were lost after their freighter sank on Friday in a remote part of the South Atlantic.

Serb police bar march: Up to 50,000 people rallied in the Serb capital, Belgrade, in another protest against the annulment of opposition gains in local polls. Police intercepted the protest column after it poured into the main pedestrian street.

UK 'must shun single currency': Britain should not join a single European currency, the head of the UK's Institute of Directors said, and must stay out of the social chapter on working conditions. Page 4

Polish tourists held: Yemeni tribesmen are still holding five Polish tourists they kidnapped last week. Negotiations for their release continued as police surrounded the captors' mountain hideout. Kidnapping foreigners has become common among tribes seeking government money for development.

Israeli strike: Israeli banks, government offices and radio and TV stations were shut as tens of thousands of workers struck over proposed budget cuts. The action ended when the authorities agreed to drop a contempt of court order against a senior trade unionist. Page 3

Disasters warning: Natural disasters are costing more, the world's biggest insurer warned. Munich Re said the number of catastrophes had risen five times since the 1960s, although this year's figures are far lower than the record damage of 1995. Page 15

Violence in Algeria: Moslem fundamentalists killed 28 villagers with knives and axes early yesterday. Later 53 people were injured when a bomb exploded at a cafe in an Algiers suburb.

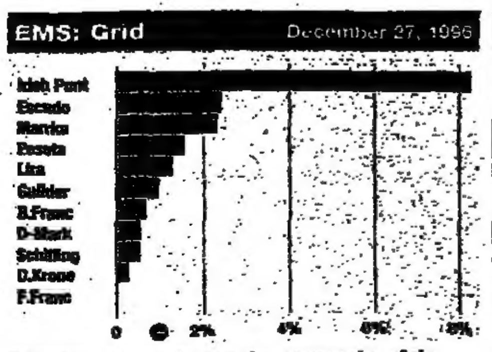
India poised for merger: The boards of Industrial Credit and Investment Corp of India, the development finance institution, and its smaller associate, Shipping Credit and Investment Corp of India, will tomorrow consider a merger that would create a group with assets of more than Rs336bn ($9.3bn). Page 14

$1m reward for police: Police in Jersey, a UK island dependency between England and France, have been awarded more than $1m by US authorities for helping track down the proceeds of drug trafficking. Page 4

Cricket: Alec Stewart's ninth Test century steered England towards safety on the fourth day of the second and last cricket Test against Zimbabwe. He was 101 not out as England closed the day at 195-3 – 136 ahead – with one day to play.

European monetary system: The spread between the strongest and weakest currencies in the EMS grid widened again last week. The Irish punt remained the strongest currency as it was pulled higher by sterling's continued rise. The pound continues to be buoyed by signs of accelerating economic growth which is fuelling speculation that interest rates might be raised soon. Currencies, Page 21

EMS: Grid December 27, 1996



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

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Albania	LEK 275	Gibraltar	£0.75	Lithuania	Lts 18.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr409	Lux	LFr75	S.Arabia	SR13
Bahrain	Din1.300	Hong Kong	HK$20	Malta	Lm0.70	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft270	Morocco	MDh18	Slovak Rp	Sk75
Cyprus	C£1.30	Iceland	IKr250	Neth	Fl 4.75	S. Africa	R12.00
Czech Rp	Kc70	India	Rs75	Nigeria	Naira125	Spain	Pta250
Denmark	DKr20	Israel	Shk9.00	Norway	NKr22.00	Sweden	SKr20
Egypt	E£5.00	Italy	L3200	Oman	OR1.75	Switz	SFr3.70
Estonia	EKr 28	Japan	Y500	Pakistan	Rs50	Syria	S£90.00
Finland	FM18.00	Jordan	JD1.75	Poland	Zl 6.00	Tunisia	Din2.000
France	FFr12.00	Kuwait	Fils750	Portugal (m'land)	Esc365	Turkey	L120,000
Germany	DM4.00	Lebanon	LL3500			UAE	Dh13.00

N Korea apologises for sub raid

Unprecedented message of 'deep regret' is expected to clear the way for trade links with Seoul and US

Nancy Dunne in Washington and Catherine Lee in Seoul

North Korea yesterday expressed "deep regret" for sending a submarine to South Korea in September. Its unprecedented apology, urged by the US and issued through Radio Pyongyang, is expected to lead quickly to improved business co-operation with the US and South Korea.

For example, the international Korea Energy Development Organisation can now proceed to build two light-water nuclear reactors in North Korea, as agreed in October 1994 when Pyongyang promised to freeze its nuclear weapons programme.

South Korea, the main financial supporter of the $5bn scheme, suspended it after the submarine incident – in which dozens of troops on both sides were killed in fighting on South Korean territory.

Seoul is now also expected to resume business co-operation with the North. Since 1994, it has approved 10 investments worth $52m in North Korea, with Daewoo, South Korea's fourth largest business conglomerate, leading the way.

A joint venture between Daewoo and National Industry Corporation of North Korea – a clothing factory which it was hoped would earn $35m in export revenue – also came to a halt after the submarine was discovered off the South Korean coast.

Washington is now expected to allow Cargill, the biggest US grain company, to ship several hundred thousand tonnes of grain to North Korea.

US commercial ties will be limited by legislation that bans American companies from investing in North Korea. However some US firms may be permitted to engage in indirect barter transactions through third countries.

US State Department officials, in close consultation with South Korea, have been negotiating the apology over the last three weeks in New York. The statement broadcast yesterday was a significant climbdown by Pyongyang, and a vindication of the hard line taken by Seoul at a time of unprecedented food shortages in the North.

It contrasted with earlier threats of retaliation for the deaths of its commandos. Yesterday's statement also said North Korea "will make efforts to ensure that such an incident will not recur and will work with related parties for durable peace and stability on the Korean peninsula."

South Korea is expected to return the bodies of 25 of the infiltrators, but to retain Li Kwang Soo, the only captive, and the submarine, according to South Korea's leading daily newspaper, *Chosun Ilbo*.

The North Korean apology was welcomed yesterday by the White House. "We hope this paves the way for progress and the reduction of tension on the Korean peninsula," a spokesman said.

South Korea's foreign minister, Mr Yoo Chong-ha, urged Pyongyang to come to the table for peace talks.

Presidents Kim Young-sam and Bill Clinton last April proposed four-way peace talks between the two Koreas, the US and China, but Korean relations went sour when the North violated the 1953 Korean Armistice by sending armed soldiers into the joint security area of the truce village of Panmunjom on several occasions this spring.

Relations deteriorated even further after the North Korean submarine ran aground on South Korea's east coast with the armed commandos on board.

President Kim's gamble goes badly wrong, Page 3

Mitsubishi and Volvo discuss truck link-up

By Hugh Carnegy in Stockholm

Volvo of Sweden and Mitsubishi of Japan, which already jointly operate a car plant in the Netherlands, are to open talks in the new year on ways to co-operate in truck-making operations in Europe and Asia.

They will study areas in which they could aid each other's truck businesses at a time when Volvo is seeking to extend its penetration of Asia and Mitsubishi wants to expand in Europe.

It is understood, however, that potential areas for co-operation would exclude Japan.

"We are going to look at all the possibilities, from production, through distribution, to product development," said a spokesman for Volvo's truck division. "It is a natural step, given the close co-operation we have between our car companies. But no decisions have been taken yet on what may be possible."

The two companies' car divisions have jointly run the Nedcar plant in the Netherlands since 1989. At present it produces the medium-sized Volvo S40/V40 range and the Mitsubishi Carisma model on the same production line. Some model variations will soon share a Mitsubishi engine.

The operation has been Volvo's principal joint venture with another motor industry manufacturer since it dropped plans three years ago to merge with Renault of France. The company holds it up as the example of the kind of co-operation it will seek in future as it aims to remain an independent manufacturer, avoiding full-scale merger of the type originally proposed with Renault.

Mitsubishi's main strength is in medium-heavy trucks, weighing between six and 16 tonnes; Volvo's is chiefly in trucks over 16 tonnes, where it is one of the world's largest producers.

Volvo said its output of medium-heavy trucks, which in 1995 was 5,100 out of a total of 76,500 vehicles, was too small to achieve economies of scale. Its strength in heavy trucks, however, could benefit Mitsubishi, which produces over three times more medium-heavy vehicles than heavy trucks.

Potential areas for co-operation could include Mitsubishi's gaining access to Volvo's distribution network in Europe for its medium-sized trucks, some of which are produced in Portugal, while Volvo would be able to supply its heavy trucks through Mitsubishi in markets such as Thailand.

Volvo already has production plants in Malaysia and Australia, and is to open factories in Pakistan in 1997 and India in 1998.

Malaysia's ambassador to Peru, Ahmad Mokhtar, is greeted by his wife after guerrillas released him and 19 other hostages Reuters

Peru hostage-takers ease demands

By Sally Bowen in Lima

Left-wing Peruvian guerrillas have toned down demands for the release of jailed comrades, raising hopes for a negotiated solution to the 12-day hostage crisis at the Lima residence of the Japanese ambassador.

The increasingly conciliatory approach of the guerrillas from the Tupac Amaru Revolutionary Movement (MRTA) was also demonstrated on Saturday night by the release of a further 20 hostages. This followed the first face-to-face meeting between a Peruvian government negotiator and the MRTA commander in the residence, and left 83 hostages still in the building.

An MRTA representative in Europe said yesterday the rebels were ready to negotiate on their demands for the release of 400 jailed colleagues and could settle for an "intermediate solution", which would "not necessarily" involve freeing all the MRTA prisoners.

Mr Isaac Velazco told Reuters that Saturday's hostage release was a gesture of flexibility in response to the meeting earlier between Mr Domingo Palermo, the government negotiator, and Mr Nestor Cerpa Cartolini, the rebel leader in the residence. The "unofficial conversation" was the first meeting between government and rebel representatives since the December 17 storming of the residence.

In a communiqué on Saturday, the rebels indicated they would press for improved

Continued on Page 14

Disney chief's pay-off of $90m was cheaper option

By Christopher Parkes in Los Angeles

Mr Michael Ovitz, whose severance package as president of Walt Disney could be worth $90m according to filings with the Securities and Exchange Commission, could have received up to $150m had his contract contained inducements to take the job common in executive contracts, according to a consultant who helped draw up the terms.

Mr Graef Crystal, an independent consultant who helped Disney's compensation committee put together the deal that brought Mr Ovitz to the company, wrote in Slate, Microsoft's online magazine, that Mr Ovitz might have stalked off with anything up to $150m.

However, Mr Ovitz's full pay-out following his departure earlier this month depends on whether he jumped or was pushed after 16 months of fruitless wanderings in from Team Disney's Burbank headquarters. Mr Crystal suggests he might not qualify for the full severance deal since he left by "mutual agreement", according to the company.

If Mr Ovitz receives only a portion of his severance package, it will come as little comfort to European executives.

In France, Mr Jerome Monod, chairman and chief executive of Lyonnaise des Eaux and one of the country's best paid businessmen, received just FFr4.6m ($870,000) last year. Mr Christian Blanc, chairman of Air France, earned just FFr1.4m.

In the UK, the average remuneration of a FTSE 100 chief executive is about £950,000.

Mr Crystal's observations are the first on-the-record comments from a participant in the farrago.

The author of the Slate article, headlined "Mike Ovitz got away with murder . . . and I helped him", claims to have given up pay consulting in 1989 in a bid to "save my immortal soul". He is best known today as an analyst who publishes critical rosters of the highest-paid executives in the US.

He returned to consulting – "after some agonising," he claims – at the request of Mr Michael Eisner, Disney chairman.

According to Mr Crystal, the cost of the failed Ovitz appointment could have been far greater had the former talent agent – believed to have earned about $90m a year as head of Creative Artists Agency – been lured to Disney with welcome gifts of stock options and upfront bonuses, for example.

On the assumption that Mr Ovitz qualifies for his full package, he will draw his $1m base pay until September 2000, $30m in bonuses for the remainder of his contract and a termination payment of $10m.

He also gets to keep 3m option shares, which on the day of his departure would have been worth $40m.

CONTENTS

Schröder upsets SPD's euro consensus

Schröder: debate on euro 'stifled'

By Peter Norman in Bonn

Mr Gerhard Schröder, the Social Democrat prime minister of Lower Saxony, has cast doubt on his party's support for the euro only days after another senior SPD figure said it would back the planned European single currency in the next German election campaign.

In remarks challenging Germany's all-party consensus in favour of the euro, Mr Schröder – who opinion polls show is the SPD's best chance of defeating Chancellor Helmut Kohl at the polls in autumn 1998 – said there was no reason for the SPD to decide in favour of the single currency at present.

"It should make its decision depend on developments," he said in an interview with today's edition of the news magazine Focus. The party should not approve the single currency if the conditions were not right, he added.

"If it becomes apparent at the end of 1997 that we are only qualifying [for the euro] through incredible social and political friction, then we should not allow ourselves to be put under time pressure. If we don't make the starting date of 1999, we should not immediately commit ourselves to another fixed date such as 2002," Mr Schröder said.

The SPD politician warned that European economic and monetary union (Emu) could lead to Germany paying vast amounts through the European Union's regional funds to weaker members of the euro area. He accused Chancellor Kohl of stifling debate on the euro by imposing a form of "political correctness" by which anybody daring to criticise the project is branded as anti-European.

Mr Schröder has expressed doubts about the euro before. However, the timing of and reaction to his Focus interview showed he is a political heavyweight with a rare talent for bringing the issue to the boil.

His remarks came just days after Mr Günter Verheugen, the SPD's chief foreign policy spokesman in the Bundestag, announced his party would be on the same side as the Bonn coalition in supporting the euro in the 1998 general election campaign. The Focus interview prompted Mr Kurt Beck, SPD prime minister of Rhineland-Palatinate and another leading party figure, to distance himself from Mr Schröder and stress Germany needed the euro and a strong Emu.

Mr Theo Waigel, German finance minister, accused Mr Schröder of making irresponsible and populist remarks with the aim of boosting his own political profile. Mr Klaus Kinkel, foreign minister, called on him to stop "crisis talk". Mr Friedrich Bohl, Mr Kohl's chief of staff in the Chancellery, accused Mr Schröder of spreading panic, and said Emu would be an engine of economic growth from which Germany in particular would profit.

Russian budget draft approved

By Chrystia Freeland in Moscow

The Russian parliament approved the draft 1997 budget in its third reading at the weekend, leaving just one more hurdle before the document becomes law.

The legislature's 243-117 vote in favour is a victory for the government, which has been eager to secure approval for the draft before the new year.

Over the past few years, budgets have got parliamentary approval only well into the year they regulate.

Parliament's vote, which clears the way for final approval of the budget in the fourth reading due on January 24, also indicated closer co-operation between the cabinet and the legislature, two institutions which have been at loggerheads.

"Thank you for your constructive work," Mr Alexander Livshits, the finance minister, told parliament after the budget vote. "This will be the first budget adopted in co-operation with the duma (parliament)."

Approval of the budget is seen as a necessary condition for continued disbursement of the International Monetary Fund's $10.2bn loan to Russia. Foreign investors also say they view it as an important indicator of stabilisation of Russia's economic policies.

The draft budget foresees a deficit amounting to 3.5 per cent of gross domestic product – on revenues of Rbs 434,400bn ($78.2bn) and spending of Rbs 529,800bn ($95.4bn).

The budget deficit figure is higher than in the first draft the government presented to parliament earlier this year. The legislature criticised that draft as overly optimistic in revenue expectations and too austere in spending plans, forcing the government to present a revised version.

As in the two previous budget votes, the Yabloko party, Russia's leading democratic opposition, voted against the budget at the weekend. The party argued revenue figures were wildly unrealistic, making the budget a document with little relation to the government's actual behaviour.

The budget vote coincided with an important phase in the conclusion of Russia's involvement in Chechnya, a war which has not only embarrassed the military but also burdened this year's budget with heavy, unplanned expenditures.

Yesterday troops of Russia's last combat unit in the breakaway republic were preparing to board aircraft and leave Chechnya.

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Mixed fortunes for Brandenburg

Frederick Stüdemann on the winners and losers following Berlin's renaissance

The renaissance of Berlin, in the process of becoming united Germany's showcase metropolis, is a mixed blessing for the surrounding state of Brandenburg.

There have been benefits. A shift of businesses and tax-paying Berliners to the greener and cheaper hinterland has created a "fat belt" of commercial and suburban development around Berlin. The city's out-of-town shopping centres, business parks and future international airport at Schönefeld are all in Brandenburg.

Berlin, with its 3m people, sits roughly in the middle of sparsely populated, traditionally agricultural Brandenburg. The city is a useful source of income for Brandenburg and provider of services, such as schools and cultural attractions, but it has also had a destabilising influence.

Just as the "fat belt" is attracting Berliners, it is also acting as a magnet for people and business from the rest of the region. This trend, combined with collapse of old industries, a stuttering economy and high unemployment – now 14.3 per cent – has led to a big fall in population in Brandenburg's remoter areas, particularly the north-east.

In some communities the population has fallen so much that schools are considering returning to the old system of bunching children of different ages in one class.

To counter this shift the Social Democrat government of Brandenburg has adopted a policy whose name sounds a contradiction in terms – "decentralised concentration". It means targeting spending and subsidies on the fringes of the state, to make the most of limited resources available for a widely dispersed population.

Brandenburg's 2.5m people live in some 7,000 communities, two thirds of which have fewer than 500 people.

Mr Rainer Speer, environment ministry state secretary, said: "We could not use the watering can approach when it comes to disbursing money." The policy has involved harsh decisions. In assessing eligibility for aid and spending, the government needed to set priorities and categorise communities, inevitably creating losers as well as winners.

With the aim of establishing a counterbalance to Berlin, the government designated an "outer development area" – a crude ring linking the centres of Prenzlau, Schwedt, Senftenberg, Finsterwalde and Wittenberge.

Moving inwards, a second ring was selected – the "crown of towns": Neuruppin, Eberswalde, Frankfurt-an-der-Oder, Cottbus, Luckenwalde and the town of Brandenburg. Interspersed among these are smaller centres highlighted for concentrated spending and aid. In recognition of the importance of the "fat belt", it has been designated a special case, particularly for transport infrastructure.

The plan, drawn up in 1993, forms the working template for government spending, from transport to investor support. Mr Speer concedes that it has created "a great many" losers – villages and towns that do not figure highly in the state's development plans. In concrete terms this means a community may not be given a new road link or granted money to build a school.

Identifying such cases is difficult. Officials are cautious about naming names; they say a community that is low on the state's list of priorities may have access to funding through programmes handled by local councils.

Mr Burkhard Dreher, state economics minister, says the policy is not absolute. Investors seeking to base operations in a place not given priority by the state will be granted assistance. But officials acknowledge that tensions can arise between the wishes of investors and the state.

By the end of 1996 the state economics ministry will have spent over 90 per cent of its DM2bn ($1.28bn) budget on subsidies, according to Mr Dreher. Roughly half of the subsidies come from a national programme for the improvement of regional infrastructure which is funded by the federal government and the Länder (states).

Brandenburg currently receives around DM1bn from the programme, about three times more than if it were assessed "normally" in terms of size and population.

With western Länder suffering from rising unemployment and sluggish growth, Brandenburg is aware funds are likely to be cut when the programme is reviewed in 1998. The policy of decentralisation might then become even more concentrated.

Franco loses face as Spain calls in coins

By David White in Madrid

The familiar face of General Francisco Franco will finally disappear from the daily lives of Spaniards on January 1 when coins bearing the dictator's effigy go out of circulation.

Since General Franco died 21 years ago, Spanish coins have been minted instead with the profile of King Juan Carlos, the constitutional monarch, and new kinds have been introduced.

But many of the old coins with the features of the man who ruled Spain for almost four decades have remained in common use – 25-peseta pieces, five-peseta "duros" ("hard dollars") and bronze one-peseta pieces, all carrying the sobering inscription: "Francisco Franco Caudillo of Spain by the Grace of God".

The withdrawal of these much-fingered relics is not aimed so much at effacing memories as sorting out the confusing mass that accumulates in Spanish purses.

There have up to now been 15 different sizes and kinds of coin, not counting superficial changes in face-design, for nine denominations. These include two types of 200-peseta piece, both quite recent, two types of 50 pesetas, two of 25, two of five and three of one peseta – one bronze, one aluminium of the same size, and a minuscule new 14mm-diameter version which is the numismatic equivalent of a contact lens.

As from January only eight of these will still be valid, and none of them goes back to the Franco era. According to the Fábrica Nacional de Moneda y Timbre, the national mint, some 10bn coins will come out of circulation, worth a total of Pta60bn ($460m).

Spaniards, warned about the changes by signs in banks, buses and newspaper kiosks, will have three months to exchange their old coins.

The plan is to melt these down for minting new ones. But since many of them have little value anyway – the peseta, which was 40 to the US dollar in 1956, is now worth less than one US cent – and large quantities have left the country in the loose change of departing tourists, only part is expected to be recovered.

Facing meltdown: change bearing the head of Franco, such as this 1957 25-peseta coin, will be withdrawn on January 1

The rationalisation plan is aimed at cutting the number of coins in circulation from 16bn to 6bn, with a system the old and the blind can at last understand. From now on, the bigger the coin, the more it is worth.

Since the 1980s, Spain has operated, in effect, with two monetary systems. Officials say the old coinage could not be scrapped earlier because of the time needed to adapt public telephones, parking meters, and cigarette and drink machines.

The operation of withdrawing old coins through the banks began earlier this year. But the tiny aluminium flake which will now represent the unit of the national currency is an unloved arrival.

It hardly lives up to the nickname of the old peseta – the "rubia" or "blonde". This appears to have its origin not in the colour of the metal but the design of the first coins, minted when the peseta was introduced by a provisional government in 1869 – a reclining female figure, holding out an olive branch and with the rock of Gibraltar at her feet.

The peseta in those days was silver. In 1982 Spain stopped issuing even bronze alloy versions, by then worth less than the cost of making them.

Franco's face first appeared on the peseta in 1947 – which means it will have survived on coinage for almost 50 years.

But he could get a kind of posthumous revenge. The reform risks being short-lived. If Spain succeeds in qualifying for European monetary union and euro coins come into circulation, then the Juan Carlos peseta will have lasted for only about half as long.

See online banking: A reality check for steam-age bankers, Page 7

Serbs defy Belgrade riot police

Some 50,000 people yesterday again joined in anti-government demonstrations in the Serbian capital, Belgrade, although riot police stopped them from marching, writes Paul Wood in Belgrade.

It was the 42nd day of demonstrations against cancellation of local election results which appeared to give victory to opposition parties. Sub-zero temperatures and a very heavy police presence appeared to have cut numbers.

In a statement, the opposition coalition Zajendo (Together) accused President Slobodan Milosevic of resorting to a state of emergency and police terror.

One of the opposition leaders, Mr Vuk Draskovic, told the crowd that an opposition protester who died last week had been beaten to death by the police, despite official denials.

"We must on no account respond to their terror with our own terror," he said.

Opposition officials later said an elite army group in southern Serbia had withdrawn support from President Milosevic.

They showed a letter which was supposedly from officers in the 63rd brigade of the Yugoslav Third Army group, which is stationed in the south, including the Albanian-dominated region of Kosovo. There was no independent confirmation that the letter was genuine but an opposition spokesman said: "This is a huge psychological blow for Milosevic."

The Serbian leader has also come under pressure from the Serbian Orthodox church. Patriarch Pavle said in his Christmas message: "The respect of law and justice obliges us all to observe the freely expressed will of the people, and to prevent autocracy and violence."

Mr Milo Djukanovic, premier of Montenegro, Serbia's junior partner in the Yugoslav federation, also expressed support for student demonstrators.

President Milosevic is due to make a formal response on Friday to a report on the elections from the Organisation for Security and Co-operation in Europe.

Italy expects new budget measures

By Robert Graham in Rome

Italy's centre-left government today is due to announce fiscal measures designed to raise L4,285bn ($2.8bn) as the final part of the 1997 budget.

The measures are expected to include the classic resort to raising the price of petrol as well as increasing value-added tax on medicines. But it appears an announcement of an increase in the price of cigarettes could be postponed until next month.

The bulk of the squeeze will come from cutting time allowed for payment of a production tax by petrol companies – and probably those producing alcohol.

By cutting the time from 30 to 15 days over L2,000bn could be raised.

The most controversial measure under discussion has been to raise VAT on certain categories of medicines whose cost is reimbursed by the state.

This has been fought by the pharmaceutical industry even though Italy is obliged to raise VAT levels to avoid a fine imposed by the EU.

The government has been under pressure to avoid introduction of any measures that might rekindle inflation, now running below 3 per cent – the lowest level in three decades.

The inflation issue is especially sensitive against the backdrop of an unresolved pay dispute with the powerful engineering workers' unions. Engineering employers just before Christmas rejected a government mediation proposal – accepted by the unions – on the grounds it would put an unacceptable burden on production costs. Independent economists have judged the award of an extra L200,000 ($130) per month as inflationary.

Ministers have also been careful to avoid any further depressive measures when the economy is showing only the slimmest signs of recovery and next year's growth looks likely to be 1.2 per cent instead of the government's optimistic 2 per cent.

Next year's taxes include a special one-off "Euro-tax" on all incomes over L22m a year.

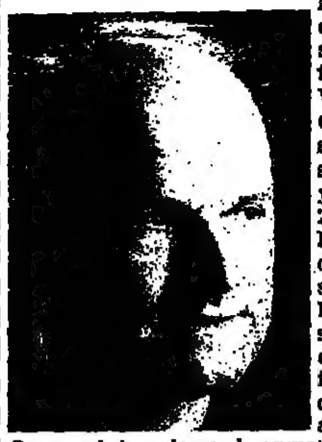
The broad content of today's measures has already been approved in the 1997 budget that passed through parliament on December 22.

The entire budget is seeking to find L62,400bn in spending cuts, new taxes and treasury operations in order to bring the deficit down to 3 per cent of gross domestic product by the end of 1997.

The government has yet to detail how it will find L12,500bn in treasury operations. However, given the overshoot in the deficit this year by some L30,000bn, it is almost certain that the government will have to take corrective measures in April if it is to have any chance of meeting the deficit criteria for taking part in the European single currency.

INTERNATIONAL NEWS DIGEST

Apologise to GM, Piëch told



Mr Ferdinand Piëch, the chairman of Volkswagen, should apologise to end the legal battle between VW and General Motors over the López affair, a senior member of VW's supervisory board said yesterday. Mr Klaus Zwickel, head of the IG Metall trade union and deputy chairman of VW's supervisory board, said Mr Piëch (pictured left) should follow the example of Mr Willy Brandt, former German chancellor, who apologised to Poland for Germany's invasion and occupation of the country in the second world war without having any personal guilt.

"He (Brandt) brought reconciliation between Poland and Germany," Mr Zwickel told Bild am Sonntag, the German newspaper. "Why can't Ferdinand Piëch behave in the same way?"

The chances of an out-of-court settlement between VW and GM receded earlier this month when Mr Piëch refused to apologise in the dispute involving allegations of industrial espionage. These were made by GM after Mr José Ignacio López, a former GM executive, moved to VW in 1993 as head of production and purchasing.

VW has always denied GM's claims. Mr López resigned his VW post in November. *Peter Norman, Bonn*

More Swedes oppose Emu

Opposition to European monetary union is growing in Sweden, with almost half the supporters of the ruling Social Democratic party against joining, an opinion poll showed at the weekend.

The poll, in the newspaper Dagens Nyheter, showed 44 per cent of all voters were against Swedish membership of Emu, up from 38 per cent in a similar poll at the end of October. Those favouring Emu grew to 28 per cent from 26 per cent, but they gained less than the 'No' side as the number of those undecided fell to 28 per cent from 36 per cent.

Since voting to join the European Union in a referendum two years ago, Swedes have increasingly moved into the Euro-sceptic camp, with a cross-EU survey earlier this year showing opposition to the Union as a whole at higher levels in Sweden than in any other member state.

Mr Göran Persson, prime minister, looks unlikely to win the broad support for a decision to enter Emu from its planned start in 1999. Within his own Social Democratic party, 49 per cent are against, while 28 per cent are in favour. There is a majority of 54 per cent against Emu in the LO trade union federation, which is closely allied to the SDP. *Hugh Carnegy, Stockholm*

Guatemalans celebrate peace

Thousands of people sang and danced in the streets of Guatemala City last night as the Guatemalan government and rebel leaders prepared to end 36 years of civil war by signing an historic peace agreement. The region's longest conflict, in which an estimated 140,000 people have died and 50,000 have disappeared, will end formally when the rebel chiefs sign a peace treaty with the conservative government of President Alvaro Arzu.

More than 10,000 people spent all night celebrating in the capital's streets. The signing is expected to take place inside the National Palace before 1,200 invited guests, including many foreign dignitaries. *AFP, Guatemala City*

Editorial comment, Page 13

Mass killing in Algeria

Moslem extremists killed 28 people in an isolated Algerian village early yesterday, according to government security forces. Hours later a bomb ripped apart a café in an Algiers suburb, wounding 53 people.

The killings took place in the village of Dhamnia in Ain Defla province, some 120 km south-west of Algiers. It was the fifth mass murder in a month in which the authorities say a total of 82 people have died. It followed a period marked by even more bloodshed, termed by one newspaper as "The Month of all Horrors".

Algeria's unelected quasi-parliament yesterday passed a law on "materials of war, arms and ammunition". It gives the defence ministry control of the "manufacture, import and export of weapons of war". *Reuter, Paris*

Dam attracts generator bids

Companies from nine countries have submitted bids to supply generators for the $30bn Three Gorges dam on the Yangtze River in China, the world's biggest civil engineering project.

The official Xinhua news agency said Siemens AG of Germany, ABB, the Swiss-Swedish construction group, and Mitsubishi of Japan were among bidders for the supply of 12 turbine generators. The hydro-power scheme will begin supplying electricity from 2003 and is scheduled to be completed by 2009. China is tapping overseas capital markets to help fund the project with an initial $120m bond issue. *Tony Walker, Beijing*

Bomb blast in Tibetan capital

A powerful explosion in Lhasa, the Tibetan capital, injured five people, radio monitors reported. The explosion happened outside a government office building early on December 25, state-run Radio Tibet said in a report monitored by the BBC.

It was at least the fourth confirmed bombing in Tibet this year but marked the first time Chinese authorities have admitted to a specific instance of sabotage there, the London-based Tibet Information Network said.

Tibet Radio, the state-run broadcaster, accused supporters of the exiled Buddhist spiritual leader Dalai Lama of staging the blast, calling it a "serious counter-revolutionary political incident and an appalling act of terrorism". *AP, Beijing*

S Africa road deaths top 910

At least 910 people have died on South Africa's roads during the Christmas holiday break and the toll is expected to rise, officials said yesterday.

Traffic officials said in a statement they expected more deaths when holidaymakers returned home to the industrial heartland after holidays at coastal resorts.

They blamed the toll on drivers who disobey traffic rules. No comparative figures for the same period of 1995 were given, but the latest death toll was believed to be sharply higher. *Reuter, Johannesburg*

Greek cargo ship capsizes

Four bodies have been found and another 16 people are missing after a Greek cargo ship capsized in bad weather in the Aegean Sea at the weekend.

The cargo ship Distos capsized off the port of Kimi on the island of Evia. The merchant marine ministry said the chances of anyone surviving on air trapped inside the ship, whose keel was floating above the water, were slim.

The only crew member rescued, Mr Christos Anagnostou, a nautical college student, told the coastguard two big waves engulfed the ship, which was carrying cement. *Reuter, Athens*

President Kim's gamble goes badly wrong

Under pressure to liberalise an ailing economy and make it more competitive, South Korea's leader has made a serious political blunder, writes John Burton

The heavy-handed attempt by South Korean President Kim Young-sam to reform the country's rigid labour market is in danger of backfiring in the face of spreading workers' demonstrations and strikes against a new labour law, forced through a clandestine dawn session of the National Assembly last week.

Most economists agree that Mr Kim is right to try to overhaul Korea's labour market, but the methods he has used to introduce the reform have ignited violent demonstrations and have been widely condemned by the public.

Some 20,000 workers demonstrated in Seoul yesterday, threatening to paralyse the city and block traffic on motorways. On Saturday police fired tear gas as demonstrators waved banners reading: "Down with Kim Young-sam".

The new law would end South Korea's life-long employment system by allowing companies to sack workers. It would give employers new powers to introduce flexible working hours and to use substitute labour for striking workers. It would also curb workers' ability to resist changes in work practices, which has emerged as a key weakness in an economy that is losing competitiveness due to sluggish productivity.

The government claims the new law honours its commitment to the Organisation for Economic Co-operation and Development, which it joined this month, by promoting a more flexible labour market. But the law still falls short of another OECD demand to end restrictions on union activity, since a ban on multiple unions in a single work place will remain until 2002.

Such changes were always bound to be controversial but the government made a difficult political issue worse by refusing to consult with the opposition or trade unions on the law's final provisions. An angry opposition had blocked parliamentary proceedings for the past week in protest.

In response, the government secretly transported MPs of the ruling party, which holds a thin parliamentary majority, to the National Assembly last Thursday for a 6am session. In the space of six minutes, they passed the labour law and other legislation in the absence of the opposition and without debate.

Opposition parties called the unilateral action a "return to dictatorship" and a "Kim Young-sam coup". What particularly enraged them was that the government used the secret session to pass another bill to strengthen the domestic surveillance powers of the once notorious intelligence service, which was used to stifle political opposition during the previous military dictatorship.

The trade unions, which had recently shown restraint in an attempt to reach a compromise with the government on the labour law issue, immediately declared a general strike.

It is clear Mr Kim knew he was taking a political gamble in forcing the labour bill through parliament. He wanted to get the issue out of the way before preparing the ruling party for next year's presidential election.

Mr Kim, whose approval rating has fallen to 18 per cent, has also been under increased public pressure to solve the country's growing economic problems, including a record current account deficit of $22bn.

By curbing the unions, Mr Kim was hoping to be seen as a strong leader promoting economic stability by encouraging companies to cut costs in an attempt to improve national competitiveness.

But there are signs that government may be realising that it has committed a political blunder instead. The current strikes could cost $1bn in lost production by the end of the year. The stock market has fallen sharply to a 45-month low.

In an apparent attempt to bring a quick end to the industrial stoppages, the government has suggested it will introduce new welfare measures for jobless workers, who are inadequately protected under the current system. Officials are also expected today to issue proposals to raise living standards and improve employment conditions.

It is uncertain what the union response will be to these proposals. But the unions also need to be cautious to avoid alienating the public. They do not want to be blamed for making an already weak economy worse.

So far only 375,000 of the nation's 1.7m unionised workers have gone on strike, although stoppages have affected such key industries as cars and shipbuilding and reduced services in transport and health care.

A scheduled national holiday during the first five days of January may provide a natural "firebreak" to halt strike activity and a cooling-off period for negotiations.

Even if industrial conflict subsides, Mr Kim's possibly unconstitutional methods have tainted the economic reform process. The public is resisting the government's efforts to open the protectionist economy to foreign competition because of fears over job losses. The labour law and its method of passage are likely to heighten these worries and increase public scepticism about an open economy.

In the process, Mr Kim may also find that his carefully cultivated image as Korea's first democratic president has been severely damaged.

Nigeria oil ship mutiny dispute 'settled'

By Antony Goldman in Lagos

The oil company at the centre of the hostage drama in south-east Nigeria claimed last night to have settled a dispute with local workers in which 30 expatriates had been held for five days.

"A simple problem was blown out of all proportion," said Mr Richard Bailey, commercial manager in Lagos for the French company McDermott ETPM. "Unfortunately there were inexperienced people out there who did not know how to handle this type of situation."

Sixty Nigerian workers on a barge 50 km offshore of the town of Eket went on strike a week ago in a protest over bonuses. They refused to allow the Filipino crew and other foreign workers from France, Britain, Ireland, India and Nepal to leave. The Nigerian navy stormed the ship late on Friday.

Negotiations with the mutineers ensued over their demands for wages comparable with those given to foreigners working in the petroleum industry.

"Frankly," said one of those now released, "I have a lot of sympathy with the locals." ETPM and Mobil did not treat the Nigerians well, he said.

The incident highlights growing concern over labour relations within the oil sector in Nigeria, which produces nearly 2m barrels per day and virtually all the country's foreign exchange earnings.

"There is a resentment in the oil-producing areas against the oil companies, and it has certainly been growing over the past couple of years," said Mr Bailey. "The local communities see all the oil going out and not very much coming in. We are involved in various projects like building schools, but really it's up to the government to build the infrastructure."

One element of the growing tension is the pressure on oil companies to employ unskilled local staff on short contracts. ETPM blames such workers for the dispute of Eket.

The company insists that its wage of around $400 a month is fair, refusing to entertain demands for a $1,000 end-of-contract Christmas bonus.

"These people are thoroughly unsuitable," said one official. "But if we don't employ people from the local areas, there is trouble."

ETPM is confident this latest dispute has been settled. But the publicity surrounding it and the threats of force made against the expatriates will send shockwaves through the industry.

In November last year, there was an international outcry over the execution of Mr Ken Saro-Wiwa, the minority rights activist who had campaigned for a fairer deal for his Ogoni community both from the Nigerian government and the multinational oil companies operating in the south-east of the country.

Far from shoddy growth in used clothing exports

By Peter Montagnon, Asia Editor, in London

Ever wondered where that old jacket you gave away ended up? The chances are that it could be keeping somebody in Africa or Asia warm, according to research by Britain's Overseas Development Institute.

Trade in used clothes is growing fast, with the volume of world exports rising to $782m in 1993 from $229m 10 years earlier, according to the paper by two economists from Gothenburg University which is published in the institute's latest monthly review.

About a quarter of the exports come from the US.

Second hand clothing accounts for 10 per cent of all clothes purchased in Bangladesh and Pakistan and as much as 50 per cent in Haiti and Rwanda.

Trade unions and producer organisations such as the Zimbabwe Clothing Council have begun to protest at the impact of the trade on local industries and are demanding high tariffs or outright import bans.

There is also a sense of "perceived dishonesty" about selling for profit clothes which were donated to help the poor, the paper says. In many cases volunteers often work hard to repair or remake clothes, not realising that the charities concerned will simply sell them to a network of clothes exporters.

But the paper cites work by another economist, Steven Haggblade, which showed used clothes exports gave a boost to employment among poor people in Rwanda before its civil war. The creation of jobs in repairing, restyling and distributing used clothes almost offset job losses in the new clothes industry, and more value was added domestically, it said.

Moreover there is little evidence trade in used clothes is flooding developing country markets, the report says. It is less than 1 per cent of all trade in textiles. Some developed countries, including all members of the European Union and even fastidious nations such as Japan, also import used clothes, though customs statistics shed little light on who buys them.

The report suggests that if charities are forced to stop selling clothes on the world market and ship them free to developing countries, there is a risk that they will be stolen when they arrive and sold anyway.

Except in emergency cases, there is no reason why charities should not sell clothes and use the money to good effect. "Commercial markets worldwide are willing to convert used clothes into cash, and the cash can then be put to good use in more efficient projects," it concludes.

Used clothes exports to Third World: Economic Considerations, by Arne Bigsten and Rick Wicks. Development Policy Review, December issue. Published by Overseas Development Institute, Portland House, Stag Place, London SW1E 5DP. Fax (++44 171) 393 1699, e-mail dpr@odi.org.uk

Mr Imran Khan, Pakistan's former cricket captain, addresses a meeting of his Tehreek-i-Insaaf party in the Punjab town of Multan yesterday while campaigning in the general election set for February 3, writes Reuter in Islamabad. As he spoke, Mr Qazi Hussain Ahmad, leader of the main Islamist party, the Jamaat-i-Islami, announced that it would boycott the election, accusing the caretaker government of failing to stem corruption.

The Jamaat has been in the forefront of a campaign against the former government of Ms Benazir Bhutto but has not done well in past general elections.

Prime Minister Meraj Khalid's 55-day-old caretaker government has been criticised for failing to produce concrete evidence of the corruption which President Farooq Leghari cited in dismissing Ms Bhutto's government on November 5.

Mr Khalid blamed the delay on difficulties in collecting the evidence.

Arrest sparks strike action across Israel

By Avi Machlis in Jerusalem

Israel's trade union federation yesterday stepped up its struggle against the government's planned budget cuts with a half-day general strike.

Workers from nearly 40 different sectors stopped work, joining airport, seaport and telecommunications workers, who walked out again after striking last week. The action followed the arrest of a senior union leader who violated labour court restraining orders.

Mr Amir Peretz, chairman of the federation, the Histadrut, ordered workers back to their jobs late in the afternoon after the activist was released. But the Histadrut said strikes would continue today in certain sectors, including banks, telecommunications and government offices.

The labour federation has said the government's budget cuts will hurt the poor. The strikes were also a protest against a planned privatisation programme.

Mr Benjamin Netanyahu, the prime minister, called the Histadrut's move an "irresponsible political strike." He said on Israel radio that the government had already made significant concessions in order not to hurt disadvantaged sectors.

The prime minister said he did not believe the Israeli labour union federation had the ability to get workers to comply to its instructions "like an army of robots". But many of the Histadrut's 780,000 members, out of a total workforce of about 1.25m, did comply with the strike.

Industrial relations experts said the arrest of a senior unionist was unprecedented in Israel. "This was the match that lit the powder keg," said Mr Abraham Friedman, an expert on industrial relations in Israel from the Hebrew University of Jerusalem. He said the strike was the most serious to hit Israel in more than 15 years.

Mr Friedman said the Histadrut had gained the upper hand in its struggle by proving it could take the workers out to the streets. He said the underlying reason for the strike was because "the Histadrut has only played a minute role in setting economic policy in Israel. They were consulted but not taken seriously.

"In my opinion, Mr Netanyahu has very few advisers who really understand the situation," he said.

Yesterday Mr Netanyahu met business leaders, who supported the government position. He said he would negotiate with the Histadrut only if it agreed to call off the strikes. Mr Peretz said he would be willing to talk to the government if it would make the first move.

Mr Dennis Ross, the US Middle East peace envoy, returns to Israel today amid widespread expectations that an accord on Israeli withdrawal from most of the occupied West Bank town of Hebron can be reached this week, writes Avi Machlis.

Israeli and Palestinian negotiators met yesterday to try to resolve remaining differences. Both sides were hopeful that an agreement could be signed soon.

Mr Yassir Arafat, the Palestinian leader, travelled to Cairo to brief Mr Hosni Mubarak, the Egyptian president, on progress in the talks. Mr Arafat was scheduled to meet Mr Yitzhak Mordecai, the Israeli defence minister, to discuss outstanding issues upon his return to Gaza last night.

Meanwhile, Mr Farouq al-Shara, the Syrian foreign minister, said Syria would welcome resumed peace talks with Israel if these were based upon agreements reached with Israel's previous Labour-led government.

Sri Lanka privatisation chief may quit over deal with Shell

By Amal Jayasinghe in Colombo

The head of Sri Lanka's privatisation authority is expected to resign, amid claims that his organisation committed the country to unfavourable conditions in a deal with Shell, official sources said yesterday.

Rajan Asirwatham, chairman of the Public Enterprise Reform Commission (PERC), and another director, Arittha Wickremanayake, will resign tomorrow, the sources said. Mr Asirwatham is also expected to resign his post as chairman of the state-owned Bank of Ceylon, the biggest local commercial bank.

The resignations follow reports in state-run newspapers recently that the privatisation authority was heading for a big shake-up over the controversial sale of the domestic gas distribution monopoly to Shell.

Trade unions as well as leftist legislators from within the ruling People's Alliance coalition have also criticised the privatisation authority over the sale price of a steel mill bought by South Korea's Hanjung company.

On Friday, dock workers at Colombo harbour, the country's main seaport, staged a token one-day strike to protest at plans to lease a section of the port to a consortium led by Britain's P&O group.

Government newspapers have criticised price rises introduced by Shell after it bought the Colombo Gas Company, claiming that they eroded public confidence in the privatisation process.

The PERC has sought legal advice on possible action against Shell for raising domestic gas prices by 20 per cent within six months when, it was claimed, the sale agreement limited annual rises to a maximum of 10 per cent.

The faltering privatisation process has forced the authority to revise its revenue projections from the sale of assets in 1996 to SLRs10bn ($177m).

This is down from an original estimate of SLRs21bn. However, official figures show that privatisation proceeds were only SLRs1bn in the 11 months up to November.

The state-owned telecommunications company, Sri Lanka Telecom and the national airline, AirLanka, are in the process of being sold.

President Chandrika Kumaratunga herself has questioned another controversial sale, that of a tea plantation company, although a final report on the deal has not been published.

Beijing directs fire at US 'domination'

By Tony Walker in Beijing

China and Russia will stand firm against US domination and strengthen economic ties to bolster their political relationship, the People's Daily said in a commentary yesterday.

The Communist Party newspaper, hailing the visit to Moscow last week by China's Premier Li Peng, said leaders of the two countries had "made it clear that they do not favour a world dominated by one power".

Beijing appeared intent on highlighting Mr Li's talks with Russian leaders, including President Boris Yeltsin, as a warning to Washington not to take the warming of US-China relations for granted.

"Both Russia and China well deserve to be two important and independent poles in the multipolar world," said the commentary, which reflected continuing Chinese concern about US willingness to assert itself in such areas as trade, arms proliferation and human rights.

Sino-US relations have improved markedly since the crisis earlier this year over China's attempts to influence Taiwan's presidential elections by firing missiles into waters off the island.

Mr Li's brief Moscow mission was aimed partly at preparing the ground for a visit to Russia in April by President Jiang Zemin.

The two countries are seeking to extend co-operation in military and industrial spheres. Earlier this year they negotiated a further reduction in troop numbers on their frontier to lessen chances of conflict.

They are also anxious to increase trade. Two-way trade is expected to reach $8bn next year, compared with about $6bn in 1996, one tenth the size of Sino-US trade.

The official Xinhua news agency reported that Mr Li and Mr Victor Chernomyrdin, Russia's prime minister, had discussed co-operation in large-scale projects in energy, machine building, aviation, transport, agriculture and military technology.

Discussions included arrangements for the further supply of Sukhoi Su-27 warplanes. Delivery of a second squadron of the attack aircraft has been delayed by wrangling over method of payment and Russia's reluctance to transfer technology.

The two premiers also presided over signing ceremonies for agreements on a nuclear power plant and banking.

One of the impediments to growth in trade is lack of banking links. Beijing is anxious to promote increased commercial relations to balance trade, which is heavily in Russia's favour. The trade deficit last year was $2.13bn out of two-way trade of $5.4bn. The deficit in 1994 was $1.9bn.

World's airlines see steady rise in passenger numbers

By Michael Skapinker, Aerospace Correspondent

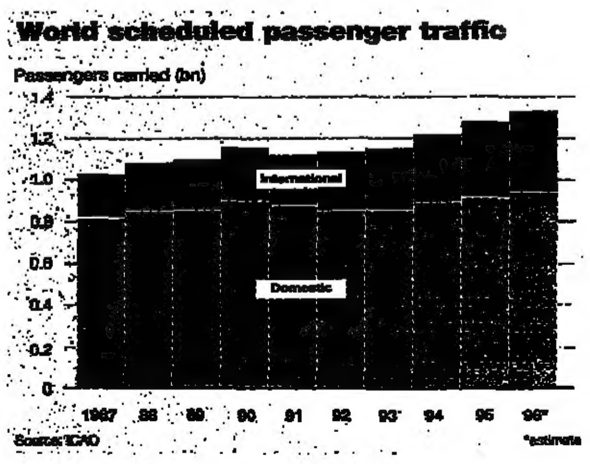
More than 1.3bn people travelled on domestic and international scheduled flights this year, a 4 per cent increase on 1995, according to preliminary figures from the International Civil Aviation Organisation.

The increase was smaller than in 1995, when passenger numbers rose 5 per cent, and 1994, when they were up 6 per cent. However, this year's figures continue the recovery from the airline recession of the early 1990s, when passenger numbers either fell or grew by less than 2 per cent.

This year's total of 1.35bn compares with just over 1bn in 1987.

The number of passengers on international scheduled flights rose this year by 8 per cent to 404m, the organisation said. This was the same level of increase achieved in 1995.

World scheduled passenger traffic



Nearly twice as many people flew on international flights this year than in 1987, when the number was 222m.

Seat occupancy on both domestic and international scheduled flights was higher than in any year since 1990, indicating that airlines had delayed new aircraft purchases. Passenger load factor, or seat occupancy, on international flights was 69 per cent this year. On international and domestic flights combined, seat occupancy was 68 per cent.

Aircraft orders during 1996, however, point to an increase in seat capacity in future years. Boeing of the US and Airbus Industrie, the European consortium, the world's two biggest aircraft manufacturers, are both set to end the year with their highest number of orders for six years.

Boeing says it has taken 645 orders this year – its highest number since 1989, when it sold 683 aircraft. Airbus has won 309 orders so far this year – nearly three times last year's total of 106 and its highest number since 1990, when it took 404 orders.

The rate of growth in freight traffic slowed this year, however. The organisation said airlines carried 22.2m tonnes of freight on domestic and international flights this year, an increase of 4 per cent on last year. This was only half of the 8 per cent increase recorded in each of the previous two years.

Of the freight carried this year, 13.6m tonnes was transported on international flights, a 5 per cent increase on 1995. This compared with a 10 per cent increase in 1995 and 13 per cent in 1994.

Inflow of capital has been distorted by takeovers, says opposition party

Inward investment data a 'deceit'

By George Parker, Political Correspondent

The opposition Labour party yesterday accused the government of "deceit" over its record on inward investment, after producing figures showing that more than half of last year's flow of capital from outside the UK involved takeovers of British companies.

Mr Stephen Byers, shadow employment minister, said the government liked to boast that inward investment represented financial backing for new businesses and extra jobs.

"The reality is that the majority of inward investment comes from foreign investors making rich pickings from what is left of British industry," he said.

Britain's success in attracting overseas investment has been one of the government's proudest achievements. Ministers such as Mr Michael Heseltine, the deputy prime minister, regularly claim Britain has become a haven for new investment because of its deregulated labour markets and relatively low level of social costs.

But Mr Byers argues that the record is distorted by the inclusion of capital invested in British companies in foreign takeovers. He published figures showing 60 per cent of inward investment in 1995 was the result of UK companies being acquired by overseas investors: the figure was 43 per cent in 1994 and 51 per cent in 1993.

Nearly a fifth of all inward investment in 1995 arose from the takeovers of two regional electricity companies – Seeboard and South Western Electricity – by two US companies.

"The Tories constantly claim the UK attracts inward investment because we have no minimum wage and have opted out of the social chapter," Mr Byers said.

"These figures show that such claims are misleading and are simply deceiving the British people. Our nation's assets are being sold abroad with profits siphoned off overseas, and the government applauds this as inward investment.

"When the figures for 1996 are published, they are likely to confirm this trend with the sale of the regional electricity companies leading the way."

The Department of Trade and Industry yesterday said there had never been any "cover up" that inward investment figures included takeovers of UK companies.

Union chief proposes Emu taskforce

John Monks wants leaders of industry, finance and labour movement to work together

Victory for the opposition Labour party in the general election, which must be held by May, could help Britain's trade unions recover from years of decline – though Mr John Monks, the general secretary of the Trades Union Congress, puts Europe even higher on his priority list.

"The TUC in 1997 will be able to say what others like the business community and the Labour party cannot about the future of Europe," he says. He intends to ensure that the trade unions' central body takes a high public policy profile in the new year.

"The timetable for a European common currency is hurtling towards us. The odds are it will be on target and on the existing convergence criteria," he told the Financial Times.

"The TUC believes Britain must be preparing for this and recognise it is coming. We have no easy options. Being inside the European Monetary Union will be difficult but staying outside will be even more difficult. To wait and see what happens or float the pound against the Euro carries serious risks for us."

This is why, in 1997, Mr Monks will press for a high-level taskforce bringing together industry, the financial community and labour market institutions with the aim of preparing for the coming change. "At the moment we are not doing anything and people are seriously under-informed," he says.

But he also admits the TUC remains very much alone among national institutions in its Emu enthusiasm. "Policy divisions inside the Confederation of British Industry [Britain's largest employers' lobby] make it very unlikely it could join such a taskforce," he says. Mr Monks is also aware that not all the trade unions are united behind the TUC's position by any means.

"The debate in the TUC is livening up," he concedes. "The public sector unions are rightly concerned about the effect of the Maastricht criteria on public spending. They point to what is happening in France, Germany and Spain as public sector workers face cutbacks. On the other hand, our trade unions in manufacturing worry if Britain is left behind it will be bad for our exports and jobs."


Ashley Ashwood
John Monks: putting Europe at the top of his agenda in 1997

In spite of the higher unemployment levels in mainland Europe, Mr Monks remains a fervent believer in the Continental social market model. "The best welfare states and public sectors are inside the EU and they remain well in advance of ours. I am confident Europe has plenty of vitality left in it."

He views "with some dismay" the "English nationalist tendency" which is starting to question whether Britain should remain an EU member. "Business must push its weight against such xenophobic interests," he warns. "We cannot rewrite the Maastricht treaty. In global politics this country would be a third division side if we played on our own."

But Mr Monks wants to press further with a European social agenda to protect workers. He says he is happy with Labour's promise to sign the social chapter of the European Union if elected and he believes that regulation which might come from this would have "a negligible impact" on the UK.

He is looking for EU-wide legislation, if necessary, to give all part-time workers the same rights as those in full-time jobs. Mr Monks also wants to see consultative works councils coming to all sizeable UK companies.

The TUC is not going to ally closely with Labour in the election campaign. "However, we are not going to be Trappist monks either," he says. The unions are planning a campaign for worker rights focused on job insecurity, unemployment and poor employment conditions. They will continue to prepare for a national minimum wage and lobby Labour for early legislation on union and worker rights.

A TUC conference is to be held in March on the new "partnership unionism".

Robert Taylor

Ceasefire challenge by wing of IRA

Sinn Féin, the political wing of the Irish Republican Army, yesterday challenged the British government to state whether it considered the 15-month ceasefire by "loyalist" anti-republican paramilitary groups in Northern Ireland to be over.

Mr Gearoid O hEara, northern chairman of Sinn Féin, urged Sir Patrick Mayhew, chief minister for Northern Ireland in the British government, in the light of recent threats and attacks against republicans "to state in unequivocal terms whether or not he considers the loyalist ceasefire to be over".

A Sinn Féin member of Belfast city council said yesterday that police had advised him to step up his personal security because of an imminent attempt on his life.

The police would not comment on the claim by Mr Alex Maskey, saying that they never commented on the security of individuals.

Mr Maskey's statement came hours after a bomb was found under a car belonging to Mr Liam Duffy, Sinn Féin director of elections in Londonderry, the second largest city in Northern Ireland.

Nine days ago Mr Eddie Copeland, a leading republican in Belfast, suffered leg injuries when a bomb exploded under his car as he drove away from his mother's home in the city. Nobody has admitted planting either bomb, although some sources in the city blame the outlawed "loyalist" Ulster Freedom Fighters.

A ceasefire was declared by the Combined Loyalist Military Command in 1994 after a ceasefire had been ordered by the IRA. The IRA announced its return to "armed struggle" by exploding a bomb near the landmark Canary Wharf development at the heart of London Docklands in February of this year. It killed two people.

UK NEWS DIGEST

Competition in water dropped

The government has abandoned ambitious plans to introduce wholesale competition across the UK water industry, and ministers may even shelve more modest proposals to offer a wider choice of supplier to large industrial users.

Mr John Gummer, the environment secretary, is highly sceptical about whether competition can bring benefits to consumers, and has consistently opposed government proposals for a new "national grid" for water.

Senior Tory officials admitted yesterday that the competition proposals – launched by ministers in 1995 as a means of deflecting criticism of water privatisation – were now less popular. "We just don't think there is much mileage in it," said one official. "There is no guarantee that any competition proposals will appear in the manifesto."

Mr Gummer began a consultation exercise with the water industry last April to discuss whether it would be technically feasible to give water consumers a choice of supplier. Nothing has been heard of the idea since, and yesterday the Department of the Environment said they did not know when ministers would report on the outcome of the consultation.

The Water Services Association, which represents nine of the largest water companies, said yesterday that it did not support any form of competition which benefited only large commercial users. *George Parker*

■ BUSINESS POPULARITY POLL

Virgin chief comes out on top

Mr Richard Branson, founder and chairman of the Virgin group, is Britain's best-known and most popular businessman, says a poll published yesterday.

He scored 35 per cent compared with his nearest rival Ms Anita Roddick, founder of Body Shop International, who registered 13 per cent. Mr Rupert Murdoch scored just 4 per cent in the NOP poll of more than 1,500 people for The Sunday Times, one of his UK stable of papers.

The poll disclosed widespread confusion about the business world. Mr John Major, the prime minister, was named by 1 per cent of respondents as a prominent businessman while 2 per cent cited the media tycoon Robert Maxwell, who died more than five years ago. Of the 1,541 people questioned by NOP, 355 could not think of any business leader.

■ PRISONS

Minister defends ship scheme

The government yesterday said it planned to use a floating prison ship to house hundreds of convicts as a means of easing overcrowding in conventional jails.

Miss Anne Widdecombe, the prisons minister, rejected criticism from prison reformers that use of the jail ship Resolution, being brought to Britain from its mooring on New York's Hudson river, was a throwback to the prison "hulks" of Victorian times.

"I have seen some rather stupid comparisons in the press today with the hulks," Miss Widdecombe said in a televised interview with ITN news. "It's nothing like that at all. It's modern, it has a gymnasium, it has exercise in the fresh air. It has all the things that we would expect an ordinary prison to have." The Resolution, to be moored off the coast of Dorset in south-west England, is expected to take up to 500 prisoners.

Premier intends to put EU at heart of election

By George Parker

Mr John Major, the prime minister, yesterday signalled his intention of putting Europe at the heart of the Conservative election campaign, in spite of deep divisions within his party on the subject.

In a new year's letter to more than 600 local Tory chairmen, Mr Major says that only a Conservative government can defend Britain's interests at the European Union's intergovernmental conference in Amsterdam next June. "I will firmly resist any policies that would damage Britain's prosperity, or result in a significant shift in power to Brussels," he writes.

Mr Major avoids all reference to the explosive question of a single currency and instead focuses on other issues to be resolved at Amsterdam. He claims a government run by Labour, the main opposition party, would surrender Britain's veto in some areas of decision-making, while signing up to the EU's social chapter and giving more competence to Brussels in areas such as immigration.

His tough rhetoric on Europe is coupled with a robust defence of the government's economic record, which he claimed had left the average family £1,100 better off than at the 1992 election, after tax and inflation had been taken into account. Echoing Mr Tony Blair's five early pledges for a Labour government, Mr Major offers five economic pledges which he said would guarantee stability and prosperity.

He says a fifth term of a Tory government would see progress towards a 20p standard rate of tax, tight control of inflation, low interest rates, a climate for the creation of jobs and opposition to the social chapter.

"It is not in my nature to walk away from a fight," he concludes. "I am not going to do so now – I look forward to your help in winning a fifth term in office."

Senior Tory officials described as "highly speculative" reports that Mr Major was considering dissolving parliament up to seven weeks before an election, in n attempt to expose flaws in Labour policy over an extended campaign.

Mr John Prescott, Labour's deputy leader, asked why Mr Major had raised taxes 22 times since 1992 if the economy was so strong, and warned that the next few weeks would see the start of a £7m "get Blair" Tory advertising campaign.

Meanwhile Labour yesterday rejected calls by Mr John Edmonds, leader of the GMB general union, for the creation of formal "talking shops" in which the unions could discuss policy with a government led by Mr Blair.

● A new government must ensure the UK does not join up to a single European currency, Mr Tim Melville-Ross, director-general of the Institute of Directors said yesterday. In a new year message to the IoD's 37,000 UK members, he urged a new government to encourage free markets, minimise state interference and encourage enterprise.

First quarter job outlook 'is best for seven years'

By Robert Taylor, Employment Editor

First quarter job prospects in Britain will be the best for seven years in 1997, according to the latest employment survey from Manpower, the independent agency published today.

It has found that 21 per cent of employers are forecasting a net growth in their employment levels compared with 15 per cent who expect a net decrease. Manpower said this was the most optimistic first quarter figure recorded by the survey since 1990 and is 3 percentage points higher than the first quarter of this year.

The survey finds as many as 26 per cent of employers in manufacturing expect a net increase in job prospects in the first quarter against 11 per cent predicting a net fall.

The largest increase will be in employment in the car industry where 34 per cent of employers forecast a net growth and only 6 per cent a net drop. In general engineering, 31 per cent of employers predict a net rise in employment and 10 per cent a net decline.

The construction industry also looks set for a net employment expansion in the first quarter. In private building, 21 per cent of employers expect a net increase in jobs and 9 per cent a net decrease. This represents a 13 per cent improvement on the forecast for the first quarter of this year. In public building, 18 per cent of employers predict a net employment increase and 15 per cent a net fall.

The biggest single sector for jobs expansion is likely to be telecommunications where the survey found 40 per cent of employers predicting an increase in jobs and only 7 per cent a decrease. Other sectors with positive job prospects are private healthcare, which registers an employment balance above the national average for the first time, and private services.

However, job prospects will remain low in the public sector with only 12 per cent of employers expecting employment growth and 19 per cent a net decline.

In its regional analysis, Manpower finds the south of England has overtaken the east Midlands as the most confident region in the UK for jobs.

The survey, carried out this month, covers 2,155 companies in 19 industries and 12 regions.

Manpower, International House, 66 Chiltern Street, London W1M 1PR.

Labour rules out tough bus regulation

By George Parker

Labour, the main opposition party, has abandoned plans for tough regulation of Britain's bus industry if it should win the general election, and instead intends to improve the quality of services.

Mr Andrew Smith, shadow transport secretary, has ditched some of Labour's earlier plans to re-regulate the industry, on the grounds they would be bureaucratic and anti-competitive.

Mr Smith, a close ally of Mr Tony Blair, the Labour leader, will issue a consultation paper early in the new year setting out Labour's thinking on bus regulation.

It will include a suggestion that a regulator should be established to cover the rail and bus industries, to reflect growing cross-ownership in the two sectors.

The paper will propose raising entry standards in the industry to ensure bus routes are operated by clean, modern vehicles and staffed by qualified workers.

It will also promote "quality partnership" deals, where local authorities agree to promote bus travel by introducing bus lanes and other traffic measures if a bus operator offers to invest in modern buses and driver training.

But Mr Smith has ditched an earlier proposal by Mr Graham Allen, the former shadow transport minister, that competition on individual bus routes should be abolished – a move intended to stop "bus wars" on the streets of Britain's big cities.

The new Labour paper also rules out Mr Allen's other key suggestion that operators should have to negotiate fixed-term contracts with local authorities specifying standards including the quality of service, the quality of the vehicle and even fares.

Mr Smith believes that would have stifled the beneficial effects of competition, which he thinks can bring flexibility and innovation to the industry if properly managed.

FT INTERVIEW

Lord Weinstock, the most powerful post-war British industrialist, ran GEC for 33 years. At the end of the year in which he retired, he reflects on a lifetime at the top and shares his unique perspective with **Richard Lambert** and **Bernard Gray**

The company that Arnold built

'I never visit factories. Even if I did, the result would be minimal. People would know I wouldn't be back for a long time' Photo: Ashley Ashwood

Throughout my time at General Electric Company I believed *in managing the* company for the good of the business in the expectation that the shareholders would benefit in due course. I was not interested in massaging the share price, or doing things that looked good one day regardless of how they would be the next, but in *building up* the *capacity of the* business to earn profits, making it more solid and expanding in areas where it had a future.

That inevitably excluded all sorts of flashy things, some of which have been fashionable. If that is dullness, I regard it as a compliment to be thought dull. At least we have avoided the potential catastrophes urged upon us by our critics.

It is said by some that I have been risk-averse. It is true that when crossing the road, I look to the right and the left, and to that extent I am risk-averse. It is also true that if we are considering an acquisition, we balance the possibility of loss against the potential for profit. We have not made investments simply for the sake of doing so.

In several sectors of electronics, the record of success in businesses which have come to maturity in the last 15 years or so is not at all impressive in relation to the size of investment and the intensity of effort lavished on them. We have not suffered the fate of those who have gone heavily into personal computers, for example.

Several of our competitors' accounts show periodic write-offs of regularly recurring special items often accompanied by requirements for more capital. In all my time as managing director, GEC never needed to ask the shareholders for money. GEC has gone from being a flat broke company with £90m of annual sales to an £11bn company with substantial reserves of cash in the bank and over 70 per cent of its sales overseas.

On strategy

To be successful in business, you have to have objectives in mind before you start. At a certain phase, you can see so far and no further. That doesn't mean the future *is* closed, only that you need more data. As time goes by, your perspective extends further – with more, or fewer, possibilities – into the future; and, anyway, things happen which you did not take into account before. Thus, business objectives must allow for an adequate level of flexibility, and it is highly desirable to have alternatives, even if they are less favoured than your first choice.

Any *short-term objectives* you pursue must be compatible with long-term aims, however hazy. This is important in planning levels of expenditure on research and development, and investment in plant. But even if these elements are appropriately conceived, neither of them, or *both of* them together, guarantee survival in the long term.

The principal thing needed for a secure future is an adequate supply of people with brain power and strength of character. You need enough clever people with the right characteristics – not egotistical types, but people *whose personalities* relate to the business, who can create a sort of communal imagination which enables you to exercise an adequate level of control over future events.

In GEC, we haven't been used to doing things formally; we don't often need to have formal meetings because *the executives* are all the time talking together. There is of course the budgetary and reporting routine, but we do not have formal plans committed to paper until ideas have ripened to the point whence they can be pursued in a practical way at a broad level of consensus.

Management

Not that long after Kenneth Bond [Weinstock's right-*hand* man and long-term finance director] and I started in GEC, we knew for sure that the company was in a real old mess; everything was done wrong. But because we didn't have that degree of control over what was going on from minute to minute, we couldn't do the same things as we had done before at Radio & Allied Industries.

We had to develop a set of *efficiency criteria quickly*, which could be applied generally. The figures did not have to be exactly right, just so long as they were adequate to show up the tendencies of the different elements of the business.

A colleague went to the US to scout around and identify 'best *practice'. He brought back data* related to our own industry on turnover of stocks, debtors, margins, that sort of thing, which we refined into a set of ratios and statistics the company has used ever since. This gives us a snapshot every month of each operating unit, expanded with a *commentary by its management.* It can be misleading if you are not told the truth, but generally it has worked.

At the end of each month, for over 30 years, I have taken home two bags of these monthly reports to break the back of this rather onerous but necessary chore. *Between* Friday and Sunday I would go through the reports, writing notes and comments on them to be picked up by management.

Weinstock on GEC

Visiting factories

If I went every day to one plant for only half a day, I could not cover all the GEC factories in a year. So I never visit factories. Even if I did, the result would be *minimal*, because people would know that I wouldn't be back for a long time.

The stock market

The value that the stock market places on individual stocks and shares seems sometimes to be rather a matter of fashion than a reflection on what is actually going on in the business.

If you go back to 1969, the market overvalued the company. We had just acquired AEI and English Electric, both of them in desperate trouble and strapped for cash; a p/e ratio of over 30 did not take account of the huge risks we were facing. During subsequent years of rapidly rising profits, the rating remained high.

But *when* we settled down to a rate of growth which might be considered more normal, some commentators decided that GEC had to be at the extremes, either spectacular or dull – a quite illogical posture. But then, what serious operator believes the stock market's behaviour is always ruled by logic?

In latter years, when the advance of profits at GEC has sometimes been held back by substantial but isolated underperformance in limited areas, or on very specific contracts, the share price has behaved as if the whole company has been retarded, when that has been very far from the case.

In an objective sense, the *judgment of the stock market* is suspect because it does not allow enough time to draw conclusions in relation to its observations. If the stock market always valued shares correctly, you would not consistently get violent swings in share prices: in fact, you get violent swings in share prices *quite frequently, and quite close* to each other.

The City does not live by getting the thing right, it lives by change, buying on expected increases and selling on expected falls, without concern or even knowledge of what will cause the change or justification of its volume. *Since it always expects* prices to change, it obviously does not know at a given moment what the true value is. It knows only at what price you can deal at that particular moment.

Furthermore, the stock market over-emphasises the short term and undervalues the long term; it does *not* value companies for the underlying soundness of their businesses and the strength of their material resources.

It should not therefore be surprising that GEC shares have not enjoyed the recognition they have merited in their market price. Nor has management been inclined to sell the shares to the public. I do not think we can claim to have been very good in this aspect of what is called 'public relations'.

Shareholders

Of course, I acknowledge that shareholders' capital is involved in the business. But I have at least a reasonable claim to be able to say 'trust me' to them, because my family's shareholding is substantial. I can only damage the shareholder if I damage my family and myself. In *GEC's case, the attitude that says* the interests of the shareholders and the management are opposed is therefore personally hurtful and insulting.

GEC's critics

Those who criticise the company are usually professional pundits: people who have to have an opinion, often along the lines that 'something ought to be done'. *Most other companies get* criticised for what they do, yet we have been criticised for what we do not do. I conclude that whatever happens we are going to get criticised anyway, so what does it matter whether it is for this or that?

To argue that we should *change what we are doing in* response to this sort of criticism is to suggest that we should change our view of how to manage in favour of those outside the company who are without knowledge pronouncing judgment on it. But these types have never managed any business – they don't know what the inside of an industrial organisation is like, or what makes it tick.

One asks the critics, 'What would you have done that we have not?' Admitting the occasional intelligent, if impracticable, observation, I have rarely heard any credible response. Objective and responsible criticism is good for management of companies, particularly big ones, but not the kind of rubbish of which we have sometimes been the target.

On dominating GEC

It is true that I know probably more than anybody else about how GEC runs, but then I have done more work *here for a longer* time than anybody else. Maybe I know more because I care more, but it is also open to anybody in the senior management to have any of the information available to me with very little exception.

Opportunities missed

There isn't anything much that I think we missed, though I do occasionally have twinges. The *best opportunity going was in* mobile communications, but it was in the government's hands to decide who made money from cellular radio, not the market's, through the granting of quasi-monopoly licences. We were not allowed – as manufacturers – to apply at the beginning, and in any case it would have been very provocative to compete directly with our principal customers in *telecoms* equipment – perhaps another example of me being risk-averse!

For many years the government apparently wanted to hold back the growth of GEC and in several ways favoured our competitors. They could always stop us acquiring a worthwhile target and they were not usually encouraging in this respect. On the contrary, in 1977 the British Aircraft Corporation, of which GEC owned half, was nationalised [to form British Aerospace] and we were paid a paltry sum in compensation in relation to its worth. BAe was the lucky inheritor of skill and resources, including a very large cash balance, which we had properly seen built up for that part of GEC.

Controlling costs

Inefficiently run businesses must look to their *costs* if they hope to survive, especially when excessive running costs are accompanied by a shortage of cash. Over and over again, managers have told me how it is not possible to reduce particular items of overhead cost without damaging the business, but I have never known it to be true. In the relevant circumstances, the proper question is not 'whether' but 'how'.

The managing director of AB Dick [office equipment company], for example, once told me that he really could not reduce overhead expenditure in France any more; he claimed he was down to the bone. A colleague sent to look over the place said that even the branch office in Lyons was run *like* Buckingham Palace. So I shut the damn thing down altogether. It didn't make any difference to sales and *profitability* improved.

Breaking up GEC

If we thought the value, in its wider sense, of GEC would have been enhanced by breaking it up, we would already have done that. It is true that we have some businesses which require less central control than others, but in those cases the income we would get from the proceeds would be less than the income we get from owning them. So what is the incentive to sell them? To let our critics say, perhaps, that we are more focused, to use another piece of jargon? But we are already wholly focused – on making money by satisfying our customers' needs.

In GEC, every project area has something in common with another. It is true that if you take particular bits out of the whole, they may not have anything at all in common with each other, they don't help each other. Yet overseas, it is always a plus that we are GEC in the round, all supporting whichever subsidiary is trying to operate.

Of course, you don't have to sell businesses; you can give them to shareholders. If they are not individually large enough to stand in the financial markets, you could securitise them by packaging several units together. *But wouldn't they then in their* turn constitute a conglomerate, perhaps with little in common with each other? Far from absolving the company of sin, would we not be re-inventing the sin of which we were accused?

Synergies

You can't rationalise things which are of a different genre. You couldn't combine, for example, Picker in medical equipment and AB Dick in office supplies: they are just in different businesses. We have several companies like that.

One area where I tried to create a more integrated structure, and failed, was metrology. The idea was to build a business out of the *technology of measuring flows:* in petrol pumps with Gilbarco; of electricity in meters; of gas in Fisher controls; weight data in Avery. We would have ended up with a range of products whose technology was underpinned by similar forms of electronic measuring in the place of old fashioned mechanical methods. We would also have built a complementary services organisation capable of maintaining the whole lot. It was said within the group that the project was too ambitious, but the fact is that we didn't succeed because we didn't find anyone capable of making the idea work.

The future for GEC

GEC is more than 100 years old, and I want to be sure that it will still be in the forefront of UK and European industry 100 years from now. The future is good in power generation and distribution, and in railway equipment through our alliance with Alcatel Alsthom, and in *space with Matra Marconi. The* relationship with Siemens in telecoms has been beneficial and can continue to be so in the long term. Other units occupy leading positions in world markets: for example, Videojet and Gilbarco. In medical equipment Picker is strong, as are some smaller units in their fields.

This leaves Marconi and defence equipment, where GEC is a major force, with some unique capabilities. Widespread cuts in defence spending have forced the industry in the US to concentrate into fewer units to reduce costs. To remain competitive, Europe may have to do the same, but there are alternatives to outright mergers: we can make deals *ad hoc*, as we already have in some areas; *or* we can become so good in certain lines that we are unchallenged. But even if we wanted to go that way, given the nature of the business, it would still be better to do it in tandem with one or more partners.

As to the rest, there are possibilities for substantial growth through deals of one sort or another; and then there are a few bits and pieces GEC would be better off without. It's not necessarily urgent that they all be got rid of, *but it is on the* whole desirable.

After Weinstock

There are similarities in managing a large company with playing 'draw' poker, in which you try to improve your hand by drawing new cards. When I became managing director of GEC, the hand I was dealt was not exactly strong. Whatever my deficiencies as a managing director, I have striven to improve the company's position and I hope it is not arrogant to claim some success.

Certainly, I don't think it is too much to say that the company I have passed on to George Simpson gives him much better cards than those I picked up 30-odd years ago.

Tomorrow: Weinstock on government

Making televisions in the 1950s

We succeeded at Radio & Allied in television by giving positive answers to the question, what does the market want? In the 1950s, what the market wanted was bigger screens, though not everybody realised that for some time, and, of course, they wanted them at lower prices.

We knew people wanted bigger screens. But the bigger the screen, the bigger and more expensive the cabinet, and one of the biggest problems with them was the corners. If they had angled corners, they were made by traditional labour-intensive wood-working methods. If the corners were rounded, they had to be cut into and *recomposed* with resin – expensive in labour and not very robust. All were made from imported plywood.

Snooping around in the model shop at Langley Park one day, I saw a cutting describing a process by which church pews were made at a factory in Kirkcaldy. The owner of the factory had spent a lot of time in West Africa and was knowledgeable about veneers. The production director and I went to see what he was doing. The method he used was far from elegant, but it worked.

He was manufacturing plywood into a rounded shape, which we could slice in a different plane like swiss roll, to give three sides of a quite large cabinet in one piece. We then had only to fix a base which would carry the chassis, and add a picture frame-like front. We gave our new supplier a contract, and set up a wood-making unit at our South Wales factory to process his output into finished cabinets.

> 'My father-in-law correctly suggested it would be better to offer a bigger screen, provided the price was attractive'

By now, ITV was well on the way with a second television channel. People were still buying 12in screen receivers, and we first aimed at a low-price 14in. But my father-in-law, Michael Sobell, correctly suggested that it would be better to offer a bigger one, provided we could still sell it at an attractive price. I asked Mullard to make a much less costly 17in picture *tube, and* promised to produce a low-price television receiver which would get the industry moving to a new plateau.

In the meanwhile, I asked our few but highly competent and practical engineers to reduce the number of electronic valves from potentially 20 to 12. We eventually got down to a design with 14, which made further substantial cost savings. This experience might cause one to wonder about the real value derived from some of the huge expenditure on research and development. Simple ideas, like putting two valve functions into one glass envelope, can be brought to the market to produce high quality results. To me, this says that a close interworking between bright engineers and an aware top management can be more productive than inadequately controlled and unlimited development expenditure.

It was obvious that the Kirkcaldy factory would not be able to meet the demand, so having established what was needed, we turned to the conventional cabinet makers. They weren't interested. The only one among them who saw the possibilities was Chaim Schreiber. He had been making cheap, big radio-gramophone cabinets for my father-in-law in the old days. With guidance from the electronics suppliers, he set up a plant capable of making the shells we needed. Schreiber went on to establish his own highly successful furniture business based on the same technique, and deserved the brilliant success he subsequently enjoyed.

Things went very well with television for some time, but the industry was weakened by constant changes introduced by the government in the terms of trading, in hire purchase, rental deposits, and so on. At the beginning of 1960, there were 23 competitors; a few years later, only six had survived.

Even so, those were the days when it was fun to run a business. All the time you could learn – the great thing was to keep in mind what you were aiming at. You had to have a clear industrial objective, and you had to avoid getting distracted. Then if you concentrated hard enough and carried everybody in the same direction, you got somewhere. It was very satisfying for all of us.

China's own brands get their acts together

Wider choice, better quality, tougher marketing: China's indigenous brands are flexing their muscles. John Ridding reports

Since China opened its doors for business at the end of the 1970s, many of its brands have been flattened under a stampede of international consumer companies. Now they are fighting back.

Promotional campaigns, sharper marketing, alliances with foreign companies and improved product quality are reviving mainland marques. Sony, Unilever and other big international consumer groups need not quake just yet. But Chinese brands are competing more toughly, and are changing the rules in one of the world's most enticing markets.

"When international brands entered the market, most Chinese brands were under threat," says Dennis Wong, managing director of Leo Burnett China, the local outpost of the Leo Burnett advertising group. "They were having to move from communism to consumerism within a very short time, and they didn't know how to react. But over the past few years they have started to get their act together and now they are a viable alternative in many categories."

Roland Decorvet, Nestlé's regional manager for eastern China, endorses that view. "The mistake that some international companies made was to underestimate local brands and local products. Chinese companies have learned very quickly and are getting stronger."

In the fast-growing market for milk powder, for example, Nestlé retains national market leadership. But it faces rising competition from regional producers, such as the Shanghai Milk Company, which are stepping up their advertising and marketing and seeking to build their brands beyond existing borders.

Foreign companies have already been dislodged from the top of the market for TV sets. Backed by a nationalistic advertising campaign and by a price-cutting strategy, local set-maker Changhong has increased its share of domestic sales from 6 per cent in 1985 to 22 per cent now. Rejecting suitors' bids to buy its marque, the Sichuan-based company urges consumers to: "Let Changhong hold the great flag of revitalising our national industries."

China's best selling cigarette, Hongtashan – or Red Pagoda Mountain – is seeking to fend off international brands at home and expand its exports. And Power 28, the detergent maker, has started a joint venture with Benckiser of Germany to reverse a decline in its market share.

The growing emphasis on local brands has been encouraged by the authorities. In a sign of China's changing priorities, a June editorial in the People's Daily, the party newspaper, bemoaned the decline of Chinese beers and urged support for local brands. "Whether our national industry survives depends on whether it has its own brands and whether it retains the self-confidence to be competitive," it said. In Shanghai, the Industrial and Commercial Bank of China made concessional loans to 20 companies, including Shanghai Forever Bicycle, to help support their battle against foreign brands.

More important are decisions being made at the company level, from advertising to marketing, and in forming alliances. "If you look at adverts on Chinese television nowadays, you will see there has been considerable progress from the dreary routines of three or four years ago," says the local head of one international advertising agency. "There is a lot more money and a lot more thought going into these ads, and the message is now directed at the consumer. The days of the product as hero are over."

A striking recent development has been the decision by some Chinese companies to hire international agencies to build brands. Guangdong Kelon, a white goods manufacturer, has hired Leo Burnett to develop its commercials and marketing strategy. Taita, a rapidly growing pharmaceuticals company which has expanded on the back of a successful tonic, has retained Bates Advertising.

Don Li, vice-president in charge of finance at Guangdong Kelon, says spending on marketing and advertising will rise smartly next year. The company's strategy, he says, is to strengthen brand recognition in response to the growing sophistication of Chinese consumers and prepare for the internationalisation of the domestic market.

"There seems to be a growing trend to use foreign agencies to help develop a corporate image," says Glamour Yee, account manager at Bates in Hong Kong. Others in the industry predict that more mainland companies will follow the lead of Guangdong Kelon and Taita.

Chinese companies are also turning to foreign joint-venture partners in their bid to develop their brands. As well as Power 28-Benckiser, there is Colgate Palmolive's joint venture in Guangzhou, in southern China. Colgate makes and markets Jie Yin toothpaste, an established Chinese brand.

The beer market, which has been particularly exposed to international labels, has also seen strategic partnerships designed to develop local brands. And Coca-Cola has faced pressure to develop local soft drinks, partly because of its success in establishing its own products. The US group now has about eight local brands, some of which were existing Chinese labels.

This shift towards developing and protecting local brands is not without problems for foreign companies. "There is definitely pressure now to invest in local brands as part of a joint venture agreement or other investment plans," says the managing director of one western consumer goods company. "This is expensive and difficult, and in the cases where it is a success it raises the risk of competition with your own established brand."

The official desire to protect local brands can involve defensive measures, including incentives for domestic producers. In the beer industry, the government announced last year that Chinese firms producing more than 100,000 tonnes annually must receive approval from the official Light Industry Corporation before selling stakes to foreign firms. Preferential loans have been extended to 10 domestic brewers.

Where competition is fair, it is often fierce. The TV price war sparked by Changhong has cut market share for foreign companies such as Matsushita and Sony of Japan. Indeed, the nationalist tone of some of the local-brand campaigns and government statements is prompting concern. "The last thing that foreign consumer companies want is to face political and social criticism," says one regional advertising executive.

Foreigners' worries, however, should not be over-dramatised. Most mainland Chinese brands are still local or regional ones: they lack the resources to compete with the international giants. Take the case of Zhengguanghe, the Shanghai soft drinks group, which rejected joint ventures with Pepsi and Coca-Cola and sought to defend its established territory. The result: tumbling market share and rising debts.

Although Chinese consumers have become more discriminating, they still "aspire to foreign brands", says Dennis Wong at Leo Burnett. Imports, too, retain an edge. "Perceived quality is higher for imported products", says Roland Decorvet of Nestlé. "In our case, this is completely wrong," he adds, referring to the company's locally produced and imported milk powder. "But it is hard to change the perception."

Chinese brands' muscle-flexing is not all bad for western businesses. In addition to the obvious opportunities for advertising and marketing firms, there are benefits for consumer companies. "Greater awareness of brands helps us to build loyalty, and that is what all of us are after," says an executive of one European electronics group. "Official awareness of the role of brands might also help curb piracy."

Earlier this year, officials in Shanghai confiscated more than 1m fake pencils from a factory that had been counterfeiting the popular Great Wall brand. That case may pale alongside the problems faced by Microsoft and similar groups, but such crackdowns may provide a measure of encouragement.

The biggest beneficiaries of more assertive Chinese brands, however, will be consumers. "There has been a big advance in choice and quality", says Mike Murphy, president of Ogilvy & Mather Greater China.

Shoppers in a Guangzhou department store were recently offered a cuddly toy and reduced-price wedding photographs if they decided to buy a locally manufactured TV set. That was on top of a 15 per cent price cut.

As for quality, a survey published in the Shanghai Business News last October indicated a steady improvement in the standard of Chinese beer brands. After quaffing 118 types of beer from 15 regions, researchers said 79 per cent met quality standards, compared to less than 50 per cent in the 1993 survey. Slightly more than one-fifth still fell short of the mark. But China's beer drinkers are toasting the improvements.

Additional reporting by Sophie Roell.

Will Burgess

A Beijing teenager cycles past a billboard advertising Chinese-made jeans that are "out of the ordinary"

Tim Jackson

A reality check for steam-age bankers

The new-media age continues to rush towards us. In fact, so headlong is its progress that this time next year you may find yourself writing the last cheque of your life. Don't worry. I am not predicting that you will be dead or bankrupt. I am suggesting that online banking – using a PC and the Internet instead of pen and paper to pay bills, check balances or reconcile statements – may have started to gain mass acceptance.

Such a prediction may seem foolish. Other forms of retail electronic commerce have been slower than expected in taking off. Yet banking is a little different.

First, it is a financial service that people use very frequently, so the advantages of greater convenience and lower cost are more important than they would be with one-off transactions such as buying life insurance. Second, with online banking you do not need to see and feel what you are paying for. It is this that has discouraged people from buying goods such as clothes or groceries over the Net.

There are two ways of looking at the advantages of electronic retail banking. From the banks' point of view, PCs and the Net offer a chance to make dramatic cost cuts. Out goes the national branch network, with the heavy investment in property that such a network entails. Out goes the corps of tellers and clerks, telephone operators and pen-pushers. And out, finally, goes the business of sending paper cheques back and forth across the country – a system that works miraculously well for something that should have been abolished years ago.

From the customers' point of view, electronic banking offers several advantages. First, it gives them more accurate and more timely information about their finances. Second, it saves time. Bills can be paid and money transferred at any time of day or night, and the information sent to their banks in a few seconds, whenever it is convenient.

Banking by PC also offers an insurance policy against mistakes by your bank that can only be replicated by spending fastidious hours every month manually balancing cheque books and reconciling credit card statements. Finally, online banking will save us money, too, when our banks pass on part of their cost savings.

So why, if electronic banking offers all these advantages, has it made such little impact so far? There are different factors at work in the US and in Europe. In the US, several dozen banks now offer Net-based retail banking. But very few customers have taken it up: fewer than one in 1,000 by the start of this year, and probably fewer than one in 100 by the end of it. As a result the banks have had to operate their new electronic systems in tandem with existing paper-and-branch systems.

Even though an electronic banking transaction costs barely more than one-tenth of its paper equivalent, according to one US management consultancy, most US banks actually charge customers extra for the privilege of saving them money. A typical charge is \$4 to \$6 a month for the right to pay up to 20 bills electronically.

To be fair, one can see the first stirrings of cost competition. Last spring, one bank was offering a \$50 bounty to new customers who brought their accounts over after buying Quicken for Windows, the market's leading personal finance software package. And there are a number of electronic-only banking services, such as First Virtual, which can afford to offer services at close to their real cost instead of at a price that includes a hefty overhead to subsidise all the paper-and-branch customers.

But I have not yet seen a mass-marketed American banking service which offers the convenience of full-service retail banking over the Net and a substantial cost saving either in lower monthly fees or in higher interest on credit balances.

In Europe, electronic banking services are still in the pilot stage, and run by technology people rather than marketing people.

> By the end of 1997, the strategic question facing banks will not be whether online banking is going to happen, but when – and how quickly they can wind down their physical networks

Almost all services require customers to use proprietary software, and a proprietary online network separate from the Net. I know of only one European bank that offers an electronic banking service that works over the standard Net using a standard Web browser. It is in Estonia.

When they are persuading top management to adopt this strategy, European technology people usually offer two arguments. They explain that the bank has special requirements impossible to deliver using any off-the-shelf package. And they complain that the Net is too insecure and too prone to attack by hackers to run the risk of using it for a banking service.

Both points have merit, but the restrictions reduce sharply the attractiveness of the proposition to the customer. If you have to use a piece of special software, the time you will spend learning has to be set against future time savings. Likewise, if you have to use a special network, you will waste time setting up the PC to dial the right number (a job that in my experience rarely takes less than half an hour, and sometimes several hours) – and then waste money on long-distance calls every time you want to pay a bill.

Ultimately, the bank will pass on to the customer its higher software development costs and higher infrastructure bills. That reduces the potential cost savings on offer. In Britain, this problem has been obscured by the strange market phenomenon of "free banking in credit", invented by Lloyds Bank in 1984.

"Free", of course, is a misnomer. The bank earns interest on credit balances which it offsets against the cost of running the account. It also imposes disproportionately high charges every time it has to do anything out of the ordinary, like bounce a cheque or write a letter, in order to cross-subsidise the printing and mailing of all those "free" statements and cheque books.

The effect of this strange pricing system is that at first sight it seems impossible for a bank in Britain to compete on price, unless it pays customers a monthly fee for the privilege of holding their accounts. Customers are so used to the habit of trying to minimise the balances in their current accounts while shifting their savings elsewhere that most are not yet used to comparing credit interest rates on standard cheque accounts.

It is not hard to see, however, why banks on both sides of the Atlantic have done so little to accelerate change. A shift from paper-and-branch systems to electronic banking will cause turmoil as banks lay off workers, close branches and grapple with the managerial and technical issues.

After this period of turmoil, a new competitive equilibrium will emerge, but two new risks will have been introduced into the industry. First, customers will become less reluctant to change banks. In Britain, the average retail bank client stays loyal for 30 years. But once customers throw away their cheque books, they will start to look more carefully at the service their bank offers and how it compares with the competition – and they will find it administratively much easier to switch.

Second, banks will find that the revenue from operating customers' current accounts now has to be shared with outside institutions – telephone companies, Net service providers, and, crucially, the owners of the personal finance software on PCs that banking services talk to. Intuit, the company behind Quicken for Windows, already has a formidable market presence, with more than 8m retail customers in the US using its systems and more than two dozen US banks signed up to its electronic banking networks.

Microsoft, a late entrant into the business with its Money package, is more frightening still. Bankers ought to look at the structure of the PC industry, in which more than 1,000 different manufacturing companies squabble for wafer-thin margins while Microsoft and Intel between them exact monopoly "taxes" of hundreds of dollars on every computer sold.

The danger is clearly that by controlling the interface with the customer, Microsoft's Bill Gates might do the same to the banking industry.

One interesting bellwether of how stockmarket investors see the prospects for electronic banking is the share price of Intuit. Since Microsoft withdrew from its plan to acquire the smaller company, fearful that objections from the US Department of Justice might scupper the deal, Intuit's share price has fallen from \$85 a share to below \$30. It now trades at about \$32.

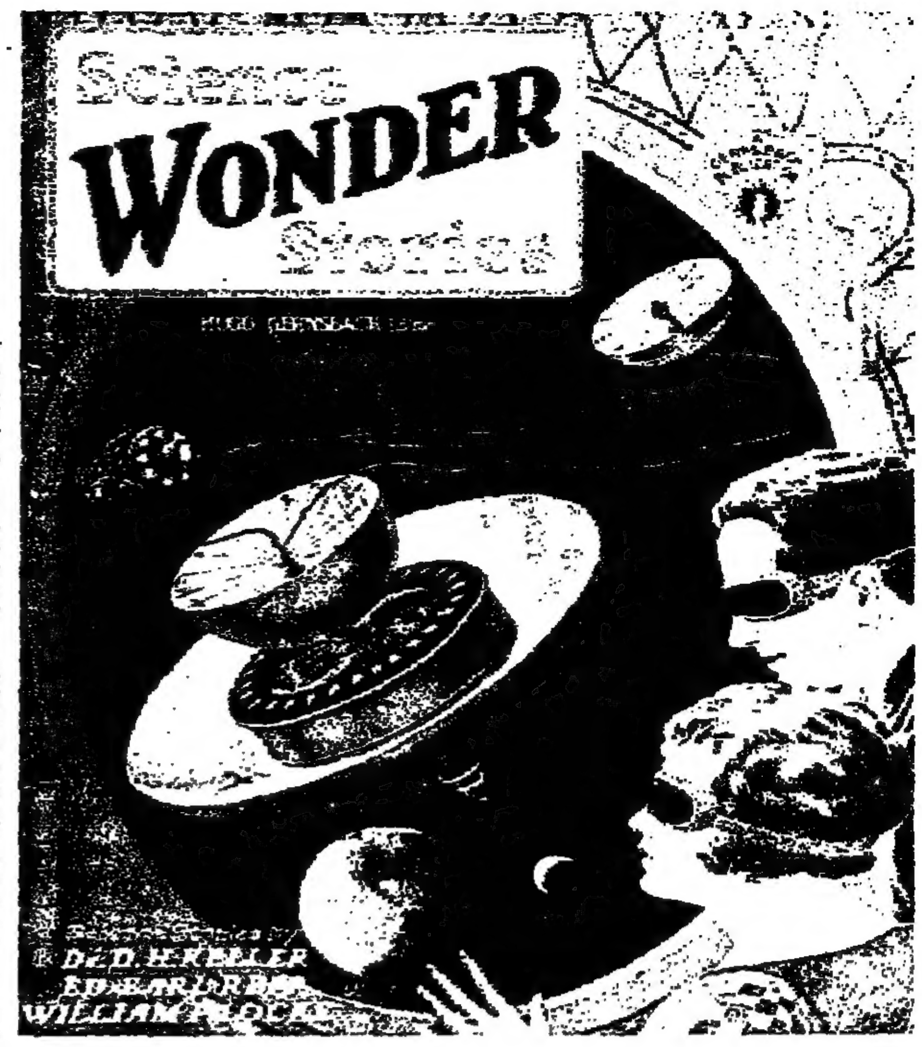
Yet the market may not be right. Although the banking industry as a whole may have been successful in delaying the advent of threatening changes, the chance always remains for a powerful new entrant, unencumbered by the weight of an existing infrastructure, to offer an online banking service to the mass market.

Likely candidates are everywhere. American Express, already listed on Intuit's Quicken Financial Network as offering banking services, has millions of card-holders who could become customers, and can identify those who already use the Net from its billing records. Fidelity, the mutual-fund giant, has a formidable brand name and reputation for customer service.

The list of potential entrants makes one thing clear to banks: doing nothing is not an option. In the move to electronic banking, first movers will have a clear advantage, because they will be able to bag the early-adopting customers. Price competition is unlikely to be a significant factor at first, so those early adopters will be rich, busy customers who value the time saving – precisely the kind of customers that banks are most keen to attract and retain.

A pair of new entrants could easily grab a couple of percentage points of the banking market in the US and UK. That would not have much effect on the profitability of traditional banks. But it would be sufficient to establish a trend. By the end of 1997, the strategic question facing banks will not be whether online banking is going to happen, but when – and how quickly they can wind down their physical networks while getting their electronic services online. You may still own a cheque book. But I expect friends will be telling you it's time to stop using it.

tim.jackson@pobox.com



Berwick Brothers, the last of the independent British merchant banks, lives to trade another day, while Mitsukawa, the Japanese conglomerate, will have to take heavy losses on aluminium trading, though the write-off is unlikely to appear in the published accounts for a couple of years.

The Collateral Damage competition, in which readers were invited to submit a pithy saying, presented the judges, the senior editorial staff at the Weekend FT and Peter Tasker, the novella's author, with a different kind of conundrum. The weight and wit of entries meant that we had to be unfair to some very clever creations.

Ours are not the only apologies. Readers apologised profusely for their own corruptions of Shakespeare, the Bible, Russian proverbs, Hungarian sayings, Confucian couplets, Japanese *haiku*, and the profundity of Winnie the Pooh.

None of the entries was prescient enough to pick the precise ending, but there was hard evidence of sleuthing. One reader noticed that the FT carried an editorial on Friday reminding gently that Collateral Damage carried real life lessons. It ended with a concocted Confucian saying: "The Enlightened One realises that he is master of all but the markets." Was that to be the last line of the novella? No.

Most readers gave a modern mercantile twist to the epic epigram. "A speculator who enjoys life should always keep an option on the future," wrote Laurel Padbury of Crédit Lyonnais in London. And John Faye of BNP-Dresdner Bank in Warsaw suggested: "'Tis as hard f'r a crook to enther th'kingdom iv Hiven as it is f'r a fund manager to get out iv Purgatory." (for inspiration, he cited Finley Peter Dunne's turn of the century Mr Dooley's Opinions).

The Bible still inspires. There was the seasonal: "They came from the East bearing gifts of aluminium, frankincense and myrrh." Then, from the writings of Paul: "The love of money is the root of all evil; if you are greedy at least hedge properly." And a variation on Luke: "Man cannot live by a diet of derivatives alone."

David Sokolec, of Denver, Colorado was moved to produce a poem for the occasion: "All that glitters may not be gold, But whether aluminium or simply just tin, Make sure you have hedged any market you're in." And David Dryer from Kent, UK, fashioned an astutely ambiguous alloy: "Base metals breed base morals in us all, But traders opt to seek a higher call."

There were many, many entries worthy of a mention ("The early bird catches the can of worms") and entrants from Hong Kong, Tokyo, West Vancouver, the east and west coasts of the US, and from across Europe, but we were compelled to whittle down the wit. Here are our famous five, who will each receive an FT hamper of wine, books, music and a couple of surprises:

"There are two times in a man's life when he should speculate with other people's money: now and then" (Paul Lyons, Surrey, UK).

"A wise man controls himself before he attempts to control any global market" (Bill Lable, New Haven, Connecticut).

"Quick money is like sausage. If you like it, you shouldn't watch it being made" (Barry Dobson, Greenwich, London).

"The wise man knows that risk seeks out greed the way the tiger seeks out the limping man" (George Derbyshire, Bedford, UK).

"Et in Arcadia ego, cum aureo, cum alu, sine extradition treaty." We have imperfectly translated the Latin as: "I am in paradise, with gold, with aluminium and no extradition treaty" (Lucy Dean of Haywards Heath, UK, with apologies to Virgil).

For entrants who went unrewarded, Paul Griffiths of Bournemouth, UK, offers sage advice: "The clever man who enters newspaper competitions has already bought his own hamper."

The FT REVIEW of

"I asked Peter to go shopping. He came back with 30 jars of pickled gherkins. My husband does not see that as strange."
The wife of disgraced Morgan Grenfell fund manager Peter Young

"She asked the operator where I was calling from and was told that I was in the South Pole. I then heard her say 'The boy is stupid, I'm not paying that much for a call' and then she put the telephone down."
Polar explorer David Hempleman-Adams after trying to make a reverse charges call to his grandmother

"Admiralty Arch... and Old Admiralty... are intrinsic parts of our maritime heritage. I would have thought that even a little creep like Michael Portillo would have understood that."
Admiral of the Fleet Lord Hill-Norton
"He's a good egg. I say: Sod the lot of them. Portillo contra mundum. Whoopee."
Nicholas Soames
"By putting a ferret down the hole, we appear to have squirted something out."
Lord Hill-Norton after government announced it would retain Admiralty Arch

"On important days, my old teacher always said, let the speeches be short, and the sausages be long."
Helmut Kohl

"That is a state secret."
Helmut Kohl, asked his weight at the launch of his recipe book

"The money won't change me. After all, I'm only a sheet-metal worker's son from Newcastle."
Alan Shearer

"He kissed wonderfully. I was 18, came from the South and had never kissed a boy before. He called me Ma Cherie and I called him Honey Child."
Florence Herlihy of South Carolina recalling her 1953 romance with Jacques Chirac

"As my own beautiful and stylish wife said after observing Miss Ann Widdecombe speak: 'Becoming a Catholic makes a woman look and feel 10 years younger'."
Letter in Daily Telegraph

"Ah, yes, I have mixed up 'compromise' and 'commitment'. I have been doing that for the last 15 years."
Mexico's President Ernesto Zedillo after being passed a note during a speech

"The Germans have also been slagged off by newspapers. I am German, Princess Diana is Princess Diana, we are both being sorted out by some bastards, we are going to sort them out together."
Convicted "stalker" Klaus Wagner

"Are you on the breadline?"
Onlooker
"I don't eat bread"
Duchess of York

"... from the beginning, Camilla approved of Charles' marrying Diana while she remained his power mower."
Richmond Times-Dispatch, as quoted in the New Yorker

"You can only live so long."
Tenor Richard Versalle's last line just before he dropped dead onstage at New York's Metropolitan Opera


BLOODSHED Islamic fundamentalists Taliban captured Kabul and made their mark with public executions


DEVIL IN THE DETAIL Nice eyes, shame about the hair

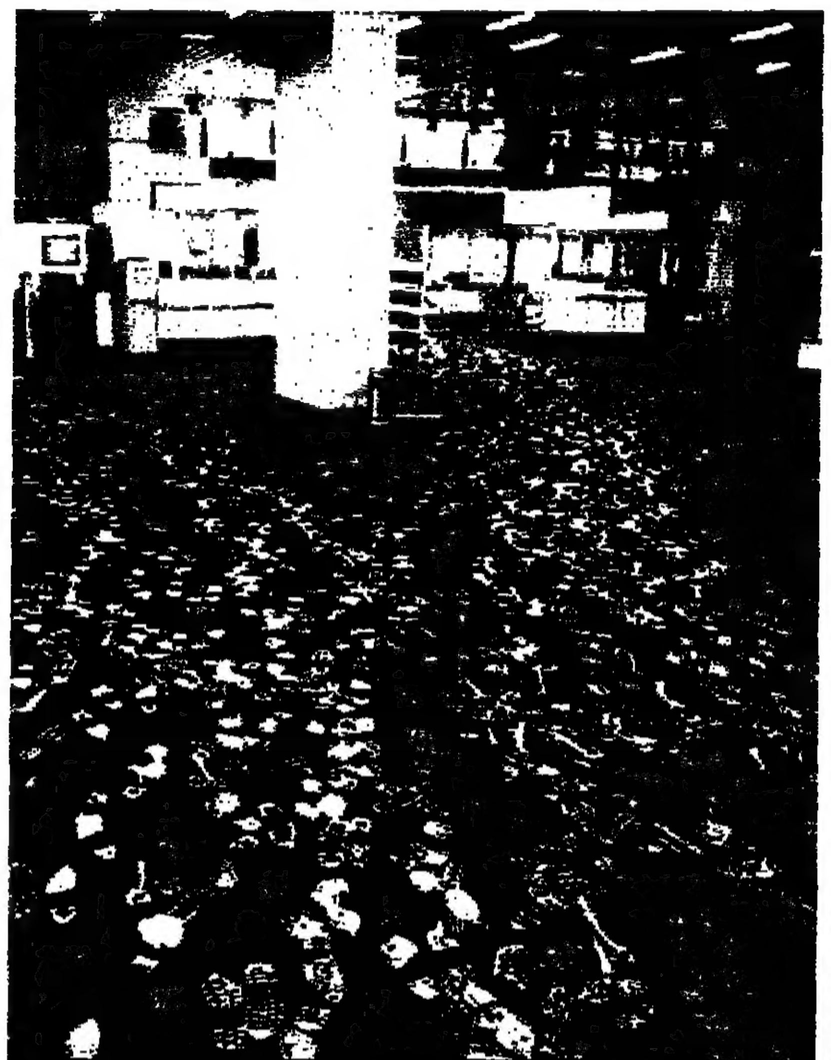

FLASHBACK After Docklands debut to end of ceasefire, Manchester bore the brunt of IRA bombing


FREE Ian and Kevin Maxwell were acquitted


The Guardian
A liar and a cheat
A pattern of corruption and deceit

VINDICATION No reason, or disposition, to mince words

2 become 1
Sandoz & Ciba
Boeing & McDonnell Douglas
BT & MCI
Lucas & Varity
Pharmacia & Upjohn
MAI & United News and Media
Royal & Sun Alliance


AIRPORT FIRE 16 deaths at Dusseldorf raised safety questions

Bought
Hambro Magan, Suter, Gartmore, Forte, Panmure Gordon, BET, Trafalgar House, Premier, Clerical Medical, Pelican, Northern Electric, Carnaby Street
Not
Christian Salvesen


COPPER Hamanaka was blamed for Sumitomo Corporation's meltdown


COWS Madness and anger over cull


DUNBLANE A nation united in grief, divided over gun laws

Bridge from A-Z
Alcopops
Buzz Lightyear
Crash
Dilbert
E coli
Facia
Galley & Granada
Helms-Burton
Irrational exuberance
Jelly beans, black
Kozyrev
Lukashenko
Macarena
Novartis
Ostriches
Pear-shaped
Quotas
Road rage
Sea Empress
Telekom
Unabomber
Vermeer
Wait and see
X-files
Yankees, NY
Zyuganov

OWN GOAL By jingo


THREE LIONS Coming home, almost


HELLO BIBI Netanyahu won narrow victory


OSTRICHES Money took flight

JANUARY

New year. New Labour, but familiar strains from a UK government fighting over all things European while its majority vanishes in pique to the opposition benches or is put there by by-election voters. With the Northern Ireland peace process stalling, John Major looks increasingly vulnerable to pressure from the Ulster Unionists, whose votes he all too often needs.

Kevin and Ian Maxwell are acquitted of fraud after the collapse of their father's media empire. Embarrassed again, Serious Fraud Office tries in vain to prosecute Kevin on new charges. Labour health spokeswoman Harriet Harman angers colleagues by sending her son to a selective school miles from home. She is backed by party leader Tony Blair, previously criticised over a similar decision.

Indian investigators give notice of a year of corruption scandals, charging seven politicians over alleged bribery and seeking permission to prosecute three cabinet ministers.

The FT-SE 100 kicks off at 3,688, the Dow Jones a little over 5,100. Granada wins its £3.9bn battle for Forte and Hanson, the archetypal conglomerate, hopes a four-way split will revive its share price. AT&T prompts US angst over "downsizing" with 40,000 job cuts.

François Mitterrand, France's longest-serving president, dies at 79.

FEBRUARY

"It is with great reluctance that the leadership announces that the complete cessation of military operations will end at 6pm on February 9." At 7.01pm the IRA breaks its 17-month ceasefire with a blast at South Quay in London's Docklands. However, John Major gains support for attempts to bring democratic legitimacy to the peace process via elections to a Northern Ireland forum. US liberalises telecoms market, sparking mergers among the local operators, or Baby Bells.

Hamas suicide bombers strike inside Israel to avenge the killing of master terrorist Yahya Ayyash – 25 die in two attacks. Cuban pilots shoot down two small aircraft belonging to US-based anti-Castro protesters. In retaliation, Helms-Burton bill threatens legal actions against those "trafficking" in US-owned property seized by Cuba.

Sir Richard Scott's arms-to-Iraq report pans the government but fails to claim scalps. Major retains William Waldegrave and Sir Nicholas Lyell "without hesitation".

British Gas announces a split into exploration and supply arms, pop group Take That! take their leave but the Dow keeps going, passing 5,600 two sessions after 5,500 after a quarter-point rate cut. Punxsutawney groundhog sees its shadow, indicating a late spring. Prince Charles and Princess Diana agree to divorce.

MARCH

Swiss drugs groups Sandoz and Ciba accelerate consolidation in the sector with a $60bn merger. José María Aznar defeats Felipe González to win the Spanish general election and, after hard bargaining with the Catalan parties, gives the country its first rightwing government since Franco.

Thomas Hamilton shoots dead 16 five- and six-year-old children and their teacher in the gym of a primary school at Dunblane in Scotland. His sickening act and Lord Cullen's inquiry into it result in Britain framing some of the world's toughest anti-gun laws.

Farmers face disaster after the government acknowledges evidence of links between mad cow disease and CJD, its human equivalent. Five days later Brussels imposes a worldwide ban on British beef exports and the government's relations with its EU partners suffer a crushing blow.

Chancellor Kenneth Clarke drops base rates for the third time in four months, to 6 per cent, despite lectures from Eddie George, governor of the Bank of England.

Algerians discover that meters removed from taxis can be used to unscramble French TV channel Canal Plus. BSkyB carries out a more conventional experiment - 600,000 households pay to see Frank Bruno's boxing career ended by Mike Tyson in the UK's first pay-per-view broadcast.

APRIL

FBI agents arrest former maths professor Theodore Kaczynski in a hillside shack in Montana. He is said to be the Unabomber, responsible for nearly 20 years of neo-Luddite terrorism.

Share buy-backs go east. Toyota, the carmaker, uses Japan's recent rule change to spend $1bn on the country's largest. Having ended support for Fokker, the doomed Dutch aircraft maker, Daimler-Benz passes its dividend for the first time in 45 years and reports a DM5.7bn loss. A fire at Düsseldorf airport kills 16 people.

Israeli prime minister Shimon Peres' revenge for Hizbollah missile attacks unleashes a broadside against Beirut and southern Lebanon only halted after 17 days. Western condemnation is mostly muted. The US finally agrees a budget after months of wrangling and stop-gap funding deals – a sigh of relief is heard from the cash-strapped UN.

The high-tech sector gets a taste of turbulence to come with reports of slowing semiconductor sales. Northern Rock becomes the fourth UK building society to plan a flotation.

John Major is said to be backing a referendum on any UK move to join a single currency though his majority all but vanishes with Labour victory in the Tory heartland of Staffordshire South-East. Italians elect Romano Prodi's Olive Tree Alliance. The Duke and Duchess of York settle on divorce.

MAY

In spite of stepping up Germany's efforts to qualify for Emu entry by planning to slice DM25bn from his budget, finance minister Theo Waigel finds time to beg singer Michael Jackson to go ahead with his German tour. Waigel throws in a tax break to swing it. His country, it emerges, is technically in recession, as is UK manufacturing, highlighting the gulf in performance between British industry and services.

The Conservatives lose 560 seats in UK local elections – not quite as many as forecast by polls. Trade and industry secretary Ian Lang sows confusion in the utilities sector by blocking "vertical integration" bids from National Power and PowerGen for regional electricity companies and then ruling out takeovers of the two generators. Severn Trent suggests customers should pave their lawns to save water.

H.D. Deve Gowda's United Front takes over in India, making him the first post-independence prime minister to speak almost no Hindi. John Major ends co-operation on EU business citing lack of progress in lifting the beef ban. Eurosceptic co-operation remains minimal. Jeffrey Vinik worries Wall Street by quitting unexpectedly as head of Fidelity's $56bn Magellan mutual fund. Benjamin Netanyahu beats Shimon Peres by a whisker and becomes Israeli prime minister.

JUNE

Sinn Fein gains 15 per cent of the vote in elections for John Major's Northern Ireland peace forum, but the IRA declares it will never hand over its weapons before a settlement. A bomb wrecks Manchester's shopping centre.

British Airways and American Airlines plan a controversial alliance that would give them 60 per cent of London-New York passenger traffic. Boris Yeltsin and Gennady Zyuganov finish well ahead of Alexander Lebed in the Russian presidential election but Yeltsin is forced into a run-off against his Communist rival. He makes Lebed his national security chief.

Copper prices fall 15 per cent in two hours on the London Metal Exchange. A week later the reasons become clear - Japan's huge Sumitomo Corporation says its top copper trader, Yasuo Hamanaka, has been doing unauthorised deals for 10 years and run up losses eventually put at $2.6bn. The FT reveals attempts over 10 years to control prices, while Chile, a leading copper exporter, is left reeling.

At Euro 96, Croatia's footballers sparkle and hosts England thrash the Dutch before losing to Germany on penalties in the semi-final. Germany beat the Czechs in the final. Kenneth Clarke announces a surprise rate cut to 5¾ per cent. In Florence EU leaders agree a phased lifting of the beef ban if Britain culls another 67,000 cattle.

هكذا من الأصل

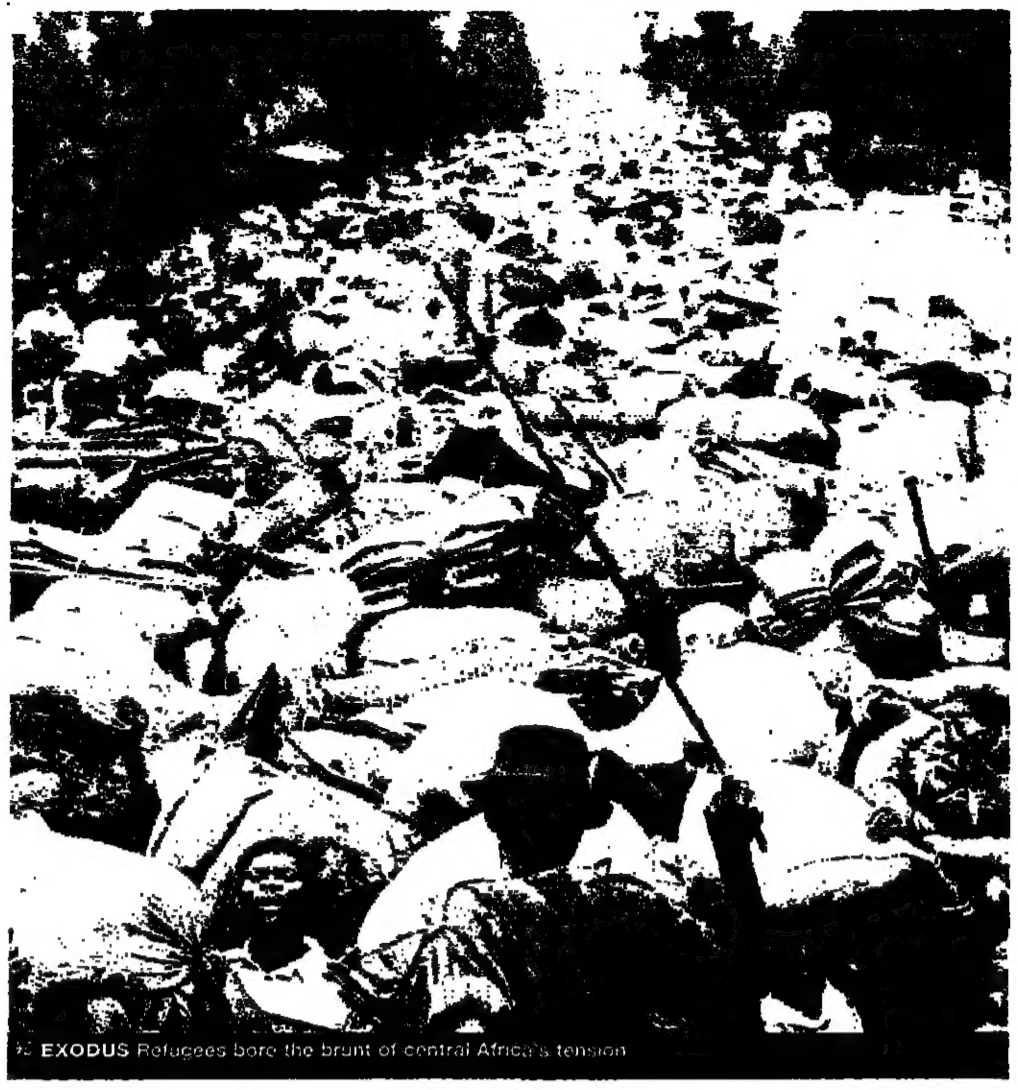
THE YEAR 1996

DEATH IN THE AIR TWA explosion off Long Island still unsolved after five months. Civil aviation disasters included a mid-air collision near New Delhi, the ditching off the Comoros after the hijacking of an Ethiopian Airlines flight and the ValuJet crash in the Everglades

To the top
Kofi Annan
Madeleine Albright
Tung Chee-hwa
For the drop
Michael Ovitz
Henry Sweetbaum
Peter Robinson
Time to stop
Gro Harlem Brundtland
Vigdis Finbogadottir

Punching in
Evander Holyfield
Punched out
Peter Mackay
Punch drunk
Sir Nicholas Scott

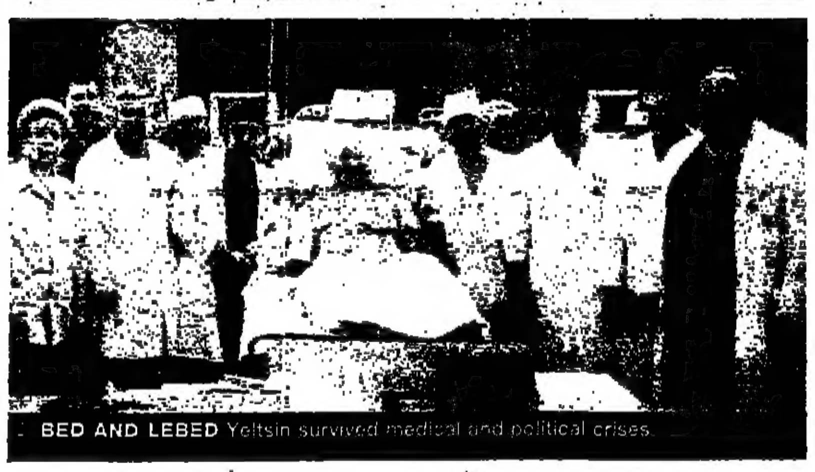
Comeback kids
Claes Hultman
Jim Bolger
Bill Clinton
Steve Jobs
Prize specimens
Carlos Ximenes Belo
Jose Ramos Horta
Wislawa Szymborska
Graham Swift
Damon Hill



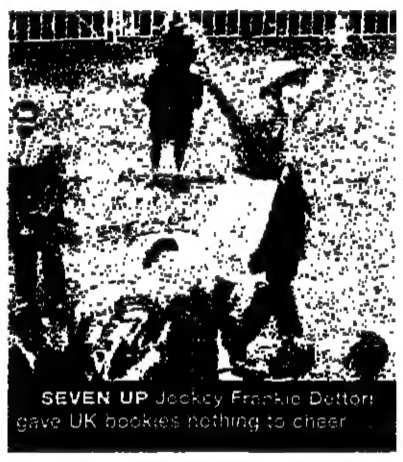
EXODUS Refugees bore the brunt of central Africa's tension

DOWN AND OUT Dole took a final tumble on election day

NUTMEG? Spice Girls praised "original" Thatcher



BED AND LEBED Yeltsin survived medical and political crises



SEVEN UP Jockey Frankie Dettori gave UK bookies nothing to cheer

Booted
Boutros Boutros Ghali
Benazir Bhutto

Out in Orange
Robert Dornan

EURO CASH Currency designers played safe but still faced flak

Edited by Clay Harris
Designed by Andrew Chappin
Monthly review by Andrew Davis
Photos by AP, Allsport, AP, FT, PA, Reuter

"I'm off to join the Tories. That's where all the sleaze and sex is. Stay here and you'll be marched off to a bible meeting."
Labour MP Tony Banks at party conference

"What we are seeing is a lot of stir-frying of dog stocks."
Bruce Richardson of HG Asia, on a price surge in B-shares on Shanghai stock market

"Teresa Gorman – in India she would be sacred"
Conservative MP Jerry Hayes

"Guess which one has feelings?"
Joanna Lumley, cuddling a piglet and holding a can of beans

"People have come up to me and called me 'pig' and 'android'. I even got a letter from one JP who said that my language is worse than that of category B prisoners."
Keith Cooper, Royal Opera House public affairs director

"If it ain't one thing, it's another. I was just ten when I lost my mother."
Lyric sung by victim of prison rape in The Fields of Ambrosia, a short-lived West End musical

"We're the new liberals of the Republican party. Can you *imagine* that?"
Barry Goldwater, after endorsing Robert Dole

"We're going to fight until hell freezes over and then we're going to fight on the ice."
Pat Buchanan

"The two biggest ambitions of the social conservative are to prevent change and to rein in human desire; the market is uniquely designed to facilitate change and to satisfy desire."
Michael Lewis in New Republic

"'Ninety-six hours to victory'?"
George Bush reading a Dole campaign press release four days before the election
"Once you get there, is there skiing"?
Gerald Ford in reply

"One team in Tallinn, there's only one team in Tallinn."
Scottish football supporters after Estonia failed to turn up for a World Cup qualifying match

"Whoever thinks that he is living this week in the same state in which he lived last week is like the fellow in the film who gets hit over the head by a falling brick and continues walking a few more steps before fainting."
Israeli newspaper Ma'ariv after Netanyahu's victory

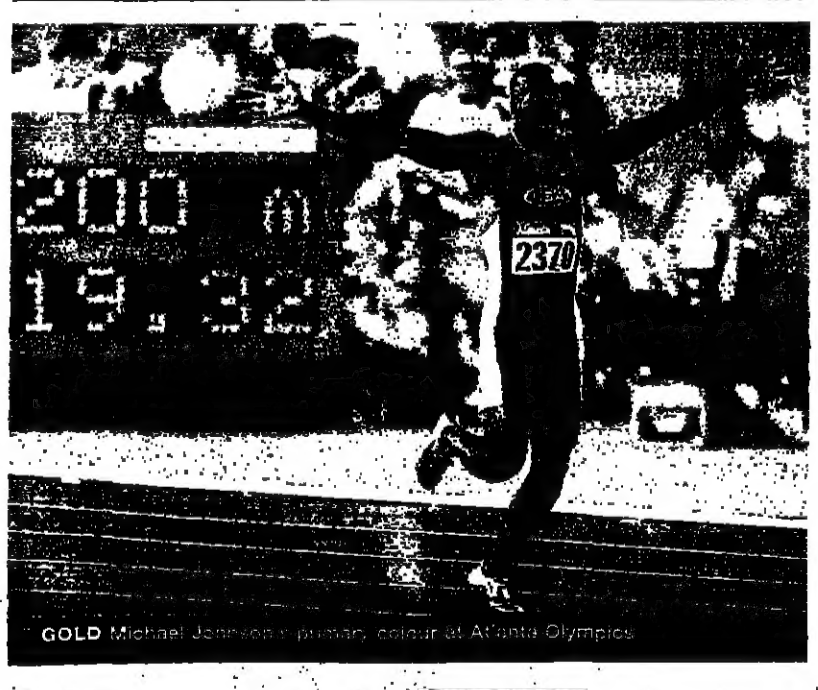
"Given that the prime minister thinks *that Britain is at the heart of Europe*, is it any wonder that one fifth of infants think the world is *flat*?"
Letter in Daily Telegraph

"I want to throw up."
Stephen Hilbert, chairman of US insurer Conseco, on the success of mutual funds

"Sentence and be damned."
Robin Scott, cannabis grower who catalogued his crop in a book headed "Captain's Log, Stardate January 1995, Planet Earth."

"Son, you're toast."
CNN boss Ted Turner to his son, who had asked if he had a job after merger with Time Warner

"Who?"
Spice Girl Emma about Sir James Goldsmith



GOLD Michael Johnson's primary colour at Atlanta Olympics

TRIUMPHANT Clinton built himself a bridge to re-election

JULY

At the Atlanta Olympics American sprinter Michael Johnson and Irish swimmer Michelle Collins give astounding performances. But terrorism casts an increasingly familiar shadow: on the eve of the games a TWA airliner explodes near Long Island killing 228. The cause remains unknown. Days later a small bomb goes off in Atlanta's Centennial Olympic Park. American blockbuster Independence Day takes $95m in its first week – audiences cheer as aliens incinerate the White House.

Yeltsin wins the Russian presidency, but his health is clearly failing. Finnish investigators excavate the first of Srebrenica's mass graves. Ulster's marching season produces repeated confrontations as loyalists insist on parading through Catholic areas. Indonesia's capital, Jakarta, suffers its worst political rioting in 20 years.

Tony Blair pledges a one-off Labour "windfall" tax on the privatised utilities' "excessive profits", while Kenneth Clarke says borrowing will overshoot by £8bn. British Energy makes the worst privatisation debut in years and jitters over slowing corporate earnings send the Dow sharply lower. BMW appoints Walter Hasselkus to head Rover after failing to find a suitable Briton. Footballer Alan Shearer joins Newcastle United for a world record £15m.

AUGUST

High summer, so there must be life on Mars. Or not – scientists' claims to have found traces of fossil bacteria in a Martian meteorite are swiftly called into question. There is life in Hertfordshire, however, where Oasis play the mid-90s' soundtrack to 250,000 at Knebworth. There is also life in sterling, which heads steadily north.

Turkey again proves its strategic importance to the West, whose worries grow as Islamist prime minister Necmettin Erbakan makes Iran his most favoured nation. But his country's relations with Greece become yet more frosty and blood is shed on the Green Line dividing Cyprus.

In a year of squabbles between Beijing and Washington, the US trade gap with China beats the deficit with Japan for the first time. Bob Dole picks Jack Kemp as his running mate for the US presidency and briefly squeezes Bill Clinton's opinion poll lead after the Republican convention.

The discovery of a string of horrific paedophile murders begins months of anguish in Belgium and rocks the nation's faith in its system. South Africa's black population gains the biggest transfer of corporate power so far as the National Empowerment Consortium buys nearly half the Johnnic industrial and media company. Israel announces it is to expand its West Bank settlements.

SEPTEMBER

After eleventh-hour hitches in the US courts, Lloyd's of London's £3.2bn recovery plan goes through. Chairman David Rowland rings the 300-year-old insurance market's Lutine Bell an unprecedented three times and vows: "never again". Which is probably what investors in Olivetti are thinking. The Italian computer group's shares are suspended at an all-time low. Carlo De Benedetti quits as chairman.

After a bumpy summer, the bulls are back in clover – the Dow smashes its May record at 5,838 amid easing concerns that the US economy is overheating, and Footsie closes in on 4,000. Iraq's oil-for-food deal with the UN is put on hold after its troops join in clashes in the northern Kurdish safe haven. US missiles hit southern Iraq.

Three Morgan Grenfell investment funds containing £1.4bn are suspended and star fund manager Peter Young is sacked over his unauthorised investments via a complex web of Luxembourg holding companies.

Dayton delivers peaceful Bosnian elections. Kenneth Clarke fights the Europhile corner, branding calls for Britain to shun Emu at the outset "pathetic". At the last moment MP Neil Hamilton and Ian Greer, a lobbyist, drop their cash-for-questions libel case against The Guardian. But evidence emerges that lights a fuse under paymaster general David Willetts.

OCTOBER

Japan's Liberal Democrats fall short of an overall majority in the general election but Ryutaro Hashimoto gets set for a second term as PM. His French counterpart, Alain Juppé, survives a vote of no confidence by promising to lift the country's economic gloom. Yassir Arafat and Benjamin Netanyahu finally meet, in Washington, but make little progress towards a Palestinian settlement. The Taliban realises its hardline vision of Islam in Afghanistan. Women need not apply.

In the last British party conferences before the general election, Labour's top brass sees off calls for a fatter state pension. The Tories are treated to Major without a jacket and heritage secretary Virginia Bottomley singing badly. The Sun prints hoax pictures of a Princess Diana lookalike romping with a fake James Hewitt.

Alexander Lebed is accused of fomenting a coup in Russia and is fired. Major does a Commons U-turn and adds measures on paedophiles and stalkers to his legislative plans. An inquiry begins into apparent attempts by David Willetts to influence an earlier one.

Eurotunnel at last restructures its £9.1bn debts. The Dow romps past 6,000, Footsie breaks 4,000 and Pakistani 16-year-old Shahid Afridi scores the fastest century in one-day international cricket, in 37 balls.

NOVEMBER

Rock on, Little Rock. Bill Clinton surprises few by becoming the first Democrat president to win two elections since Franklin Roosevelt. Yeltsin's heart operation is a success.

BT pays more than $20bn to buy outright America's MCI in the largest takeover by a British company – the deal will lift it to fourth in world telecoms sales. Deutsche Telekom, with debts recently put at $69bn, comes to market in a DM20bn initial public offering, Europe's biggest. The British Budget lops 1p off basic rate income tax – predictable, especially for the Daily Mirror, which fails to publish details leaked to it days earlier. Large portions of eastern Zaïre fall to Rwandan-backed Tutsis, putting relief supplies to 1m refugees in doubt. But before a UN force can intervene, the refugees head home.

Christmas approaches and the window-dressers are busy. Italy publishes a questionable budget in an effort to get into Emu first time round and the lira rejoins the exchange rate mechanism. France comes up with a £4.5bn one-off windfall from France Telecom to help shrink its deficit but all this fudge makes the Germans queasy. Opt-out or no, Britain is told it must implement the 48-hour working week. Striking French lorry drivers blockade roads and ports, and a fire seriously damages the Channel tunnel.

DECEMBER

David Willetts resigns as paymaster-general after a Commons cash-for-questions inquiry concludes he tried to "dissemble" in his answers to it. Fed chairman Alan Greenspan briefly prompts panic in world markets by musing about "irrational exuberance". Boeing and McDonnell Douglas join to form the world's top defence and aerospace company – look on their works, ye Europeans, and despair.

Hundreds are held hostage at a party in the Japanese ambassador's home in Peru by guerrillas of the Tupac Amaru Revolutionary Movement. Tory MP Sir Nicholas Scott is forced to stand down after one too many embarrassing incidents. Britain's farmers admit an enlarged cattle cull is the only way to get the beef ban lifted. The government agrees.

Germany secures a pact to ensure budgetary rigour after the Emu has landed. French objections that bankers must not run Europe get pretty short shrift. Prince Philip angers anti-gun campaigners with remarks about cricket bats.

Conservative battles over Europe get even bloodier and Tory MP Sir John Gorst withdraws his support over a threatened local hospital. Then Labour wipes out Major's majority by retaining the vacant Barnsley East. Still, at least some Spice Girls say the Tories are what they really, really want.

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ **TODAY**

Abbey National Treas 7⅛% Gtd Nts 1998 £50.27
Do 7½% Gtd Nts 1998 FFr750.0
Do 8⅝% Nts 1997 £862.50
Abtrust Lloyds Ins Tst 1.55p
Acres (No 1) Class M2 Mtg Bckd FRN 2005 £180.34
Do (No 2) Class A Mtg Bckd FRN 2007 £150.38
Do Class M1 £159.20
Do Class M2 £169.15
All Nippon Airways 4.4% Nts 2000 Y440000.0
Barings Gtd FRN 2001 $14.98
Britannia Bldg Scty FRN 1997 £152.13
British Aerospace 11⅞% Bd 2008 £593.75
British Gas $1.2438
Cadbury Schweppes 8% Nts 2000 £80.0
Charles Stanley 0.825p
Chelsea Bldg Scty Sb FRN 1999 £33578.77
Chesterfield Props 4.4p
Ebara 4½% Bd 2000 Y450000.0
Enterprise Oil £531.25
Fortnum & Mason 3.6p
Fujita FRN 1997 Y256728.0
Gartmore Smaller Co's Tst 4.25p
General Cons Inv Tst 3p
Guinness Fin Australia 10% Gtd Nts 1996 A$100.0
Hitachi Credit 5⅞% Nts 2000 $58.75
Jupiter Geared Cap & Inc 1999 1.463p
Kyushu Elec Power 8% Nts 1997 £80.0
Do 8⅛% Nts 1999 $406.25
Ladbroke Fin (Jersey) 9% Cv Bd 2005 £45.0
Lloyds TSB Perp FRN £161.92
London & Assoc Props 0.05p
Morgan Grenfell Equity Inc Tst 0.35p
National Grid 7⅜% Bd 1999 £40.77
Nova Scotia 7% Nts 2000 C$69.42
Portsmouth & Sunderland Newspapers 4.25p
Regal Hotel 9% 1st Mtg Db £5.97
Saracen Value Tst 0.6p
Slough Estates 11⅝% Bd 2012 £1162.50
Smithkline Beecham 8⅜% Gtd Nts 2000 £83.75
Smith & Nephew 5½% Cv Bd 2000 $275.0
SwedBank Sb FRN 2000 $357.96
Tendring Hundred Water 4% Db £2.0
Wah Kwong Shipping HK$0.117
Yasuda Tst Asia Pacific Fxd/FRN Gtd A Bd 2004 $3219.84
Do B $3271.23
Do Gtd Amtsd Cap FRN 2004 $1529.50

■ **TOMORROW**

Abbey National Treas 7% Gtd Nts 1999 C$40.25
ABI Leisure 3.47p
Alex & Alex $0.025
Do Class C 1.5p
Allied Domecq 11¾% Db 2009 £5.875
Allied Lon Props 10¾% 1st Mtg Db 2025 £5.375
Anglo Fin No 1 Mezz FRN 2001 £1421.45
Do Snr Bckd FRN 2001 £31.53
Do No 2 Mezz FRN 2004 £1443.0
Do Snr Bckd FRN 2004 £210.89
Anglo & O'seas 8½% Db 2020 £4.25
Antofagasta 5% Cm Pf 2.5p
Asda Prop 5⅛% Cv Pf 2012 2.5625p
Do 9⅛% 1st Mtg Db 2020 £4.5625
Bampton 8¼% Un Ln 2002/07 £4.125
Bampton Prop 7¾% Un Ln 1991/96 £1.826027
Bardon 3.85% Cm Pf 1.925p
Do Cv Pf 3.625p
Do Cm Pf 2005 5.625p
Baring Tribune Inv Tst 9⅛% Db 2012 £4.5625
Blue Circle 7⅝% Cv Pf 3.8125p
BOC 4.55% Cm Pf 2.275p
Do 2.8% Cm 2nd Pf 1.4p
Do 3.5% Cm 2nd Pf 1.75p
Braime (TF & JH) 5% Cm Pf 2.5p
Brake Bros 2.9p
Bridon 10¼% Db 1991/96 £5.125
Do 6⅝% Un Ln 2002/07 £3.3125
Do 7¾% Un Ln 2002/07 £3.875
Bristol Water 3½% Perp Db £1.75
Do 4% Perp Db £2.00
Do 4¼% Perp Db £2.125
Britannic Assurance 5% Tax-Free Cm Pf 2.5p
British Fittings 5½% Cv Pf 2.75p
British Guiana Demerara Rlwy 4% Perp £2.0
Do Anns 50p
Brixton Est 5% Cm Pf 0.875p
Do 9½% 1st Mtg Db 2026 £4.75
Do 11¼% 1st Mtg Db 2023 £5.625
Do 10¾% 1st Mtg Db 2025 £5.375
Broadstoner 6% Cm Pf 2.1p
Brockhampton A N/Vtg 2.375p
Brunner Inv Tst 5% Cm Pf £1.75
BSG 0.77p
Burford 9⅝% 1st Mtg Db 2019 £4.8125
Capital & Counties 11¼% 1st Mtg Db 2021 £5.625
Do 9⅞% 1st Mtg Db 2027 £4.9375
Capital Inds Cv Pd 2001/05 4p
Cap & Regional Props 6¾% Cv Un Ln 2006/16 £3.375
Charnos 7% Cm Pf 2.45p
Chester Water 11⅜% Rd Db 1998/2000 £5.6875
City Site Estates 7% Un Ln 2005/06 £3.50
Coats Patons 4½% Un Ln 2002/07 £2.25
Do 6¾% Un Ln 2002/07 £3.375
Commercial Union 8¾% Cm Irrd Pf 4.375p
Commonwealth Bank of Australia 10 Yr Ext FRN $302.09
Cookson 7% Cm Pf 2.45p
Co-operative Wholesale 7⅝% 1st Mtg Db 2018 £3.8125
Coutts Consulting 2nd Cv Pf 4p
Croda Int 5.9% Pf 2.95p
Do 6.6% Pf 3.3p
Dead Sea Works 5% Db 2002 NIS0.25
De Beers Centenary Fin 9¾% Gtd Bd 2020 4.875p
Debenhams 7¼% 2nd Db 1991/96 £3.625
Delta 4.2% Cm 1st Pf 2.1p
Do 3.15% Cm 2nd Pf 1.575p
Dencora 6¼% Rd Pf 3.125p
Den Danske Bank Sb FRN 2000 $303.54
Denmark (Kingdom of) 13% Ln 2005 £6.50
Derby Tst 7½% Db 1999/2003 £3.75
Dumyat Inv Tst Cv Mnthly 0.5p
Eastbourne Water 11.2% Rd Db 2005/09 £5.60
Do 12½% Rd Db 2004 £6.25
Ecclesiastical Ins 10% Cm 2nd Rd Pf 5p
Do 8⅝% Non-Cm Irrd Pf 4.3125p
Edinburgh Inv Tst 11½% Db 2014 £5.75
EIS 5% Cm Pf 1.75p
Electric & Gen Inv 10.1% Db 1997/2002 £5.05
EMAP 5% Cm Pf 1.75p
Emess Cv Pf 3.125p
Engelhard $0.09
Estates & Agency 11¼% 1st Mtg Db 2020 £5.625
Estates & Gen 11¼% 1st Mtg Db 2018 £5.625
Everards Brewery 5% Cm Pf 1.75p
Ex-Lands 7½% Cv Ln 2020 £3.75
Fidelity Euro Values Equity IL Un Ln 2001 0.839514p
Fidelity Special Values Equity IL Un Ln 2004 30.58854p
Finlay (J) 4.2% Cm 1st Pf 2.1p
Do 4.2% Cm 2nd Pf 2.1p
Do 5% Cm 2nd Pf 2.5p
Fleming American Inv Tst 5% Cm Pf £1.75
Do 7% Cv Un Ln 1999 £3.50
Fleming Claverhouse Inv Tst 11% Db 2008 £5.50
Fleming Inc & Grwth Inv Tst 5% Cm Pf £1.75
Fleming Overseas Inv Tst 5% Cm Pf 1.75p
F & C Inv Tst 11¼% Db 2014 £5.625
Fortnum & Mason 7% Cm Pf 2.45p
Friendly Hotels 5% Cv Pf 2.5p
Frogmore Ests 13.85% 1st Mtg Db 2000/03 £6.925
Fulcrum Inv Tst 1.4p
GATX $0.43
GR 10½% 2nd Pf 5.25p
Gartmore Shared Equity Tst
Geared Inc 2.475p
Gaskell 5% Cm Pf 1.75p
General Cons Inv Tst Stppd Pf 2.318p
Glynwed Int 7¾% Cm Pf 2.7125p
Grampian 7% Cm Pf 2.45p
Great Universal Stores 5⅜% Rd Un Ln £2.6875
Do 6⅜% Rd Un Ln £3.1875
Guardian Media 4% Cm Pf 1.4p
Halstead (J) 5½% Pf 1.925p
Hawtin 4.55% Pf 2.275p
Headlam 5.6% Pf 2.8p
Higgs & Hill 7% Pf 2.45p
Homer Fin (No 3) Class A1 Mtg Bckd FRN 2036 £8.41
Do Class A2 £154.67
Do Class A3 £157.81
Do Mezz £172.26
Hong Kong Inv Tst 0.75p
Hughes (TJ) 0.84p
Hunting 4.2% Pf 2.1p
IMI 5½% Un Ln 2001/06 £2.75
Inchcape 5.25p
Invesco Enterprise Tst Cm rd Stppd Pf 7.125p
Kayser Bondor 6% Cm Pf 2.1p
Kilroot Elec 9½% Db 2006/10 £4.75
Kleinwort O'seas Inv Tst 4% Cm Pf £2.0
Land Sec 6¾% Cv Bd 2002 £67.50
Lex Service 6½% Pf 2.275p
London Park Hotels 10½% 1st Mtg Db 2000/05 £5.25
Manganese Bronze 8¼% Cm Pf 2.8875p
Marley 11⅞% Db 2009 £5.9375
Marshalls 11⅜% Db 1992/2014 £5.6875
Marshalls Universal 7½% Rd Pf 3.75p
MEPC 12% Bd 2006 £600.0
Merchant Retail 8¾% Un Ln 1999/2004 £4.375
Merivale Moore 10½% 1st Mtg Db 2020 £5.25
Mid-Kent Water 4% Perp Db £2.0
Do 5% Perp Db £2.5
Mid Southern Water 3½% Perp Db £1.75
Do 5% Perp Db £2.50
Molyneux Fin 8¼% 1st Mtg Db 2019 £4.125
Mowlem (J) 1p
Mucklow (A & J) 7% Cm Pf 2.45p
Murray Int Tst 4% Db £2.0
Newey 5% Cm Pf 1.75p
Newton Chambers 5% 1st Cm Pf 1.75p
NHL (3) Class A3 Dfd Int Mtg Bckd FRN 2036 £145.40
Do Mezz £172.26
Northern Rock Bldg Scty 12⅝% Perm Int Brg £63.125
Northern Telecom $0.13
North Surrey Water 5% Db £2.5
Northumbrian Water 3¾% Rd Db 2012 £1.875
Do 12% Rd Db 2005 £6.0
Parma Food Jnr Asset Bckd FRN 2000 L2269055.0
Do Snr Asset Bckd FRN 2000 $1482.42
Pascoes 7½% Cv Pf 3.75p
Pittards 9.5% Cm Pf 4.75p
Paintation & Gen Invs 9% Cv Ln 1999 £4.50
Premier Health 6% Cv Rd Ln Nts 2000 3p
Quarto 8.75p Pf 4.375p
Queens Moat Houses 12% 1st Mtg Db 2013 £6.0
Quicks 10% Cm Pf 5p
Ragby Gtd FRN Oct 1997 $4955.56
REA 9% Cm Pf 4.5p
Do 12% Ln 2000 £6.0
Record 10% Cm Rd Pf 5p
Regal Hotel Cv Rd Pf 2001 5.32603p
Regis Prop 8¾% Gtd Un Ln 1997 £4.375
Retail Corp 6½% Cm Pf 2.275p
Do 5¾% Cm 2nd Pf 2.0125p
Robinson (Ryders Green) 11% Pf 5.5p
Rolls-Royce Power Eng 3% Cm Pf 1.5p
Do 5⅜% Cm Pf 2.6875p
Do 11% Cm Pf 5.5p
Ropner 11½% Cm Pf 5.75p
Rotork 9½% Cm Pf 4.75p
Royal Bank of Scotland 5½% Cm Pf 1.925p
Do 11% Cm Pf 3.85p
Do Ser B Non-Cm Pf $0.70
Do Ser C Non-Cm $ Pf $0.59375
Rugby 6% Un Ln 1993/98 £3.0
Do 7¾% Un Ln 1993/98 £3.875
St Andrews Tst 5¼% Cm Pf £1.8375
St Davids Inv Inc 8p
Samsung Elec-Mechanics 0.25% Cv Bd 2005 $9.48
Samsung Elec 0.25% Cv Bd 2006 $3.33
Savoy Hotel 4% 1st Mtg Db £2.0
Savoy Theatre 4% 1st Mtg Db £2.0
Schroders 8¾% Un Ln 1997/02 £4.375
Schroder Split Fd 2p
Scottish Eastern Inv Tst 4½% Cm Pf £1.575
Scottish Mortgage & Tst 6-12% Stppd Int Db 2026 £6.0
Scottish National Tst 6% Cm Pf 2.1p
Seninac Und Sec FRN Y221217.0
Severn River Crossing 6% IL Db 2012 £3.414
Shires Smaller Co's 1.325p
Simon Eng 9¼% Db 1992/97 £4.625
Sirdar 7½% Cm Pf 2.625p
Slough Estates 11¼% 1st Mtg Db 2019 £5.625
Do 12⅜% Un Ln 2009 £6.1875
Smithkline Beecham 2.22p
Smurfitt (Jefferson) 6% Gross Pf IR1.2743p
South African Breweries R0.65
Sunderland 3% Fd Debt Anns £1.50
Do 4½% Fd Debt Anns £2.25
Sutcliffe Speakman 9½% Cm Pf 4.75p
TC 11.8% 1st Mtg Db 2014 £5.90
Temple Bar Inv Tst 9⅞% Db 2017 £4.9375
Three Valleys Water 10% Rd Db 1998/98 £5.0
TMC Mortgage No 1 Mtg Bckd FRN 2014 £12.75
Tootal 4¾% Perp Db £2.375
Trafalgar House 7% Un Db 3.5p
Do 10¼% Un Ln 2001/06 £5.125
Transport Development 4.7% Pf 2.35p
Do 8¼% Un Ln 1993/98 £4.125
TR City of London Tst 11½% Db 2014 £5.75
TR Technology Stppd Pf 3.693639p
Do Units 14.774556p
UniChem 3p
United Auctions 4p
United Kingdom Prop 8½% Un Ln 2000/05 £4.25
Waddington 4.2% Cm Pf 2.1p
Do 5.6% Cm Pf 2.8p
Watmoughs 8¼% Cm Rd Pf 2006 4.125p
Wells Fargo Sb FRN 2000 $48.89
West Kent Water 4% Perp Db £2.0
Whirlpool $0.34
Widney 8.76% Cv 2nd Pf 2000 4.38p
Williamson Tea 6% Cm Pf 2.1p
Wilson (Connolly) 8% Cm 1st Pf 2.8p
Do 10.5% Cm 2nd Pf 5.25p
Wolverhampton & Dudley Brews 6% Cm Ptg Pf 2.8p
Wood (A) 7½% Cm Pf 2.625p
Woolwich Bldg Scty FRN 1997 £154.35
Wyevale Garden Centres 8.5p Cv Pf 4.25p
York Waterworks 5% Deb £2.50

■ **WEDNESDAY JANUARY 1**

BICC Cv Pf 4.3p
Barbados 13½% Ln 2015 6.75p
Baynes (C) Cv Pf 2.9p
Birmingham 2½% 2026 £1.25
Do 3% 1947 £1.50
Do 3% 1932 £1.50
Do 3½% 1946 £1.75
Do Gas Anns 50p
Do Water Anns 50p
Blackburn 3½% Irrd £1.75
Do 4% Cons Db Irrd £2.0
Blockleys 6% Cm Pf 1.05p
Boosey & Hawkes 5½% Cm 1st Pf 1.925p
Do 7% Cm Pf 2.45p
Bridon 6% Cm Pf 1.05p
Calgary & Ed Rlwy 4% Db 2002 £2.0
Can Pacific 4% Perp Db £2.0
Coastal $0.10
Commercial Union 3½% Cm Pf 1.75p
Cordiant 6% Cv Ln 2015 £3.0
Crane Europe 5½% Pf 1.925p
Elliott (B) 3.15% Cm Pf 1.575p
Fleming O'seas Inv 4½% Perp Db £2.25
Friendly Hotels 4¾% Cv Pf 2.375p
Do 7% Cv Pf 3.5p
Do 11⅛% 1st Mtg Db 2015 £5.5625
Fuller Smith & Turner 4.2% Pf 2.1p
Do 8% 2nd Pf 4p
GTE $0.47
General Accident 11.4p
Grand Met 5% Pf 1.75p
Do 6¼% Cm Pf 2.1875p
Hampton Tst 5½% Cm Rd Pf 2.75p
Do 8% Cv Un Ln 2020 £4.0
Hartlepool Water 2.8p
Hull 3½% £1.75
Iceland Cv Pf 2.75p
Illingworth Morris 4½% Cm 1st Pf 1.575p
ITT $0.15
Kenning Motor 5½% Pf 1.925p
Do 7% Pf 2.45p
Kensington & Chelsea 11.15% Rd 2006 £5.575
Leeds 2½% Rd £1.25
Do 3% Db £1.50
Do 5% Irrd £2.50
Lilleshall 5% Pf 1.75p
Do 9% Cv Pf 4.5p
Lincoln 3% Rd £1.50
Liverpool 2½% Rd £1.25
Do 2¾% Rd £1.375
Do 3½% £0.875
Lowland Inv 11¼% Db 2010 £5.625
Mersey Docks 3⅝% Irrd Db £1.8125
Do 6⅝% Rd Db 1994/97 £3.3125
Mucklow (AJ) 11½% 1st Mtg Db 2014 £5.75
Murray Income Tst 4¼% Pf 2.125p
New Brunswick Rlwy 4% Perp Db £2.0
Oldham 4% Db £2.0
P & O 6¾% Cv Pf 3.375p
Port of London 3% A 1929/99 £1.50
Powell Duffryn 4¾% Cm Pf 0.83125p
Reading 3% £1.50
Reckitt & Colman 5% Pf 1.75p
Renold 6% Cm Pf 2.1p
Republic New York $0.38
Russell (A) 5¾% Cv Pf 2.875p
Sara Lee $0.21
Sears 7% A Pf 2.45p
Do 7½% Pf 2.625p
Do 12½% Pf 4.375p
Simon Eng 5.4% Pf 2.7p
Do 6% Pf 2.1p
Do 7¾% Pf 1992/97 3.875p
Simons 7½% Pf 2.625p
Smith (J) 5½% Cm Pf 1.925p
South Australian 3% Cons £1.50
Swansea 3½% £ 1.75
Three Valleys Water 4% Irrd Db £2.0
Do 3½% Irrd Db £1.75
Do 4% Irrd Db £2.0
Do 4% Irrd Db (1994) £2.0
Do 5% Irrd Db £2.50
Do 5% Irrd Db (1994) £2.50
Town Centre Sec 9% Un Ln 1996/2000 £4.50
UK Estates 6% Cv Pf 3p
WT Foods 0.5p
Yates (WE) 7½% Pf 2.625p
Young & Co's Brew 3½% Irrd Db £1.75

■ **THURSDAY JANUARY 2**

Abbot 7¼% Cm Pf 3.625p
Allied London Props 2.82p
Amec 1.5p
Amersham Int 6p
Anglian Water 5⅛% IL Ln 2008 £3.3061
Annington Fin No 1 7¾% Sec Bd 2007/11 £124.86
Do 8% Sec Bd 2012/21 £128.89
Appleby Westward 3.2p
BICC 4p
Baxter Int $0.2825
Black Arrow 1.2p
Booker 8.1p
Bristol Water 4% Db Irrd £2.0
Brit Aerospace 7.75p Cv Pf 3.875p
Brit Empire Sec Tst 8⅛% Db 2023 £4.0625
Do 10⅜% Db 2011 £5.1875
Brit Sugar 10¾% Rd Db 2013 £5.375
Brunel 4.6p Cv Pf 2.3p
Bulmer (HP) 9½% Pf 4.75p
Do 8¾% 2nd Pf 4.375p
Bunzl 2.2p
Cambridge Water 4.67p
Do N/Vtg 4.67p
Do 4% Cons Db £2.0
Do 13% Rd Db 2004 £6.50
Carlton Comms 6.5p Cv Pf 3.25p
Claremont Garments 4.62p
Cradley 1.38p
Dee Valley Water 5.5p
Do N/Vtg 5.5p
European Telecom 0.75p
Eurovein 2p
Felixstowe Dock Pf Units £3.25
First Db Fin 11⅛% Svily Gtd Db 2018 £5.5625
Guardian Royal Exchange 3.4p
Guinness Flight Extra Inc 2.93p
Do Units 2.93p
Hewetson 7% Cv Pf 3.5p
Hillsdown 2.2p
Inspirations Cv Pf 2.95p
Johnson Grp Cleaners 7.5p Rd Pf 3.75p
Do 9% Cm Pf 3.15p
Leo 1 A2 Mtg Bckd FRN 2035 £1280.10
Leo 2 A1 Mtg Bckd FRN 2032 £53.12
Do A2 £156.05
Lloyds TSB 12% Sb Bd 2011-£1200.0
MEPC 10¾% 1st Mtg Db 2024 £5.375
Manchester Ship 3½% Perp 1st Mtg Db £1.75
Do 3½% Perp Db £1.75
Do 4% Perp 1st Mtg Db £2.0
Do 4% Perp 2nd Mtg Db £2.0
Do 4% Perp Db £2.0
McCarthy & Stone 8¾% Cm Pf 2003 4.375p
McKechnie 12p
Martin Int 0.45p
Mid Kent Water 9⅞% Rd Db 1997/99 £4.9375
Do 12¼% Rd Db 2005 £6.125
Mid-Sussex Water 4% Perp Db £2.0
Do 5% Perp Db £2.50
Do 11% Rd Db 2012/16 £5.50
Morrison Construction 1.64p
Mucklow (AJ) 3.4315p
New South Wales Treasury 11½% Gtd Exch Bd 1999 A$575.0
Next 5p
PSIT 8% Cm Pf 4p
Photo-Me Int 3.5p
Plantation & Gen Invs 0.5p
Do 9½% Rd Pf 4.75p
Rights & Issues Inv Tst 12.6098p
Do 5½% Cm Pf 5.5p
RTZ 3.325% A Cm Pf 1.6625p
Do 3½% B Cm Pf 1.75p
Rubicon 6% Cm Pf 1.05p
Sabre Lease 7¼% Mezz Sec Nts 2001 £181.25
Do 5.8% Snr Sec Nts 2001 £1450.0
Sears Roebuck $0.23
Silentnight 3p
South Staffs Water Hldgs 28p
Do 9% Rd Pf 1998/2000 4.5p
South Staffs Water 3½% Perm Db £1.75
Do 4% Perm Db £2.0
Do 5% Perm Db £2.50
Do 9¼% Rd Db 1998/2000 £4.625
Stratagem 2p
TMC PIMBS 2nd Fin Nts No 3 Jul 2030 £7618.35
Tops Ests 10¼% 1st Mtg Db 2011/16 £5.125
Town Centre Sec 2.45p
TR Far East Inc Tst 1.7p
Vitec 3.2p
Willis Corroon 1.65p
York Waterworks 9% Rd Pf 1997 4.5p

■ **FRIDAY JANUARY 3**

AG 3.75p
APV 1p
Airflow Streamlines 2p
Alida 9¼% Cm Pf 2008/13 4.625p
Armour Tst 1.56p
BAT Inds 10p
BWI 4.3p
Betterware 1p
Boots 9% Bd 1997 $450.0
Bourne End Props 0.55p
Bradford Property Tst 3.8p
Brent Int 9% Cm Pf 4.5p
Bridgend 0.1p
Brit Polythene 9¼% Cm Pf 4.625p
Brown (N) 2p
Business Post 3.6p
CPL Aromas 1.9p
Cater Allen 9p
Cedardata 1.57p
Cook (Wm) 2.75p
EIS 3.6p
Estates & Agency 9p
Etam 0.5p
European Colour 0.825p
Evans of Leeds 1.06p
Five Oaks Invs 7% 2nd Cm Pf 4.9p
F & C Spec Utilities Inv Tst 3.3p
Do Package Units 3.3p
Do S 2p
GBE Int 0.6p
Gencor 6% Gross Pf R0.06
General Accident 8⅞% Irrd Pf 4.4375p
Great Portland Estates 2.9p
Hamlet 5.3p
Kleinwort High Inc Tst 2.6p
Locker (T) 0.3p
Mercury Asset Mngmnt 10p
Nedcor Global Dep Rcpts R1.10
Norcros 1p
Nursing Home Props 1.25p
Peek 1.05p
Sketchley 1.1p
Slingsby (HC) 3p
Temple Bar Inv Tst 4.2% Pf 2.1p
Unigate 7p
United Biscuits 3.5p

■ **SATURDAY JANUARY 4**

African Dev Bank 11⅛% Ln 2010 £5.5625

■ **SUNDAY JANUARY 5**

Annuities 2½% £0.625
Annuities 2¾% £0.6875
Bankers Inv Tst 4% Perp Db £2.0
Bridon 1.72p
Consolidated 2½% £0.625
Metrolpolitan Water Staines res 3% Gtd Db £1.50
Nat West Bank 12½% Sb Un Ln 2004 £6.25
Yule catto 11½% Cm Pf 1998/2003 5.75p

UK COMPANIES

■ **TOMORROW**

COMPANY MEETINGS:
Paramount, Dennis House, Marsden Street, Manchester, 10.00

Jupiter European Inv Trust, 197 Knightsbridge Road, SW, 11.30

BOARD MEETINGS:
Interims:
Beverley Group

■ **THURSDAY JANUARY 2**

BOARD MEETINGS:
Interims:
Guardian Media Group

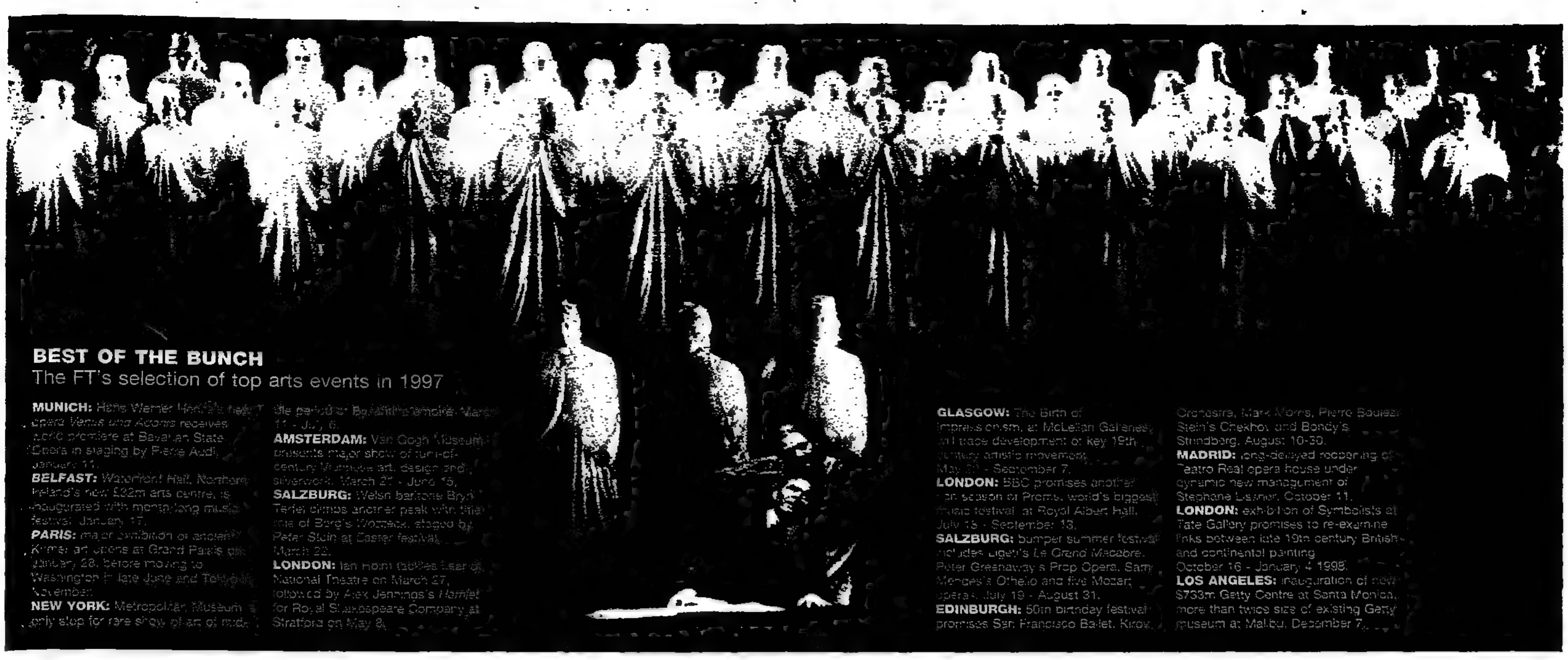
■ **FRIDAY JANUARY 3**

COMPANY MEETINGS:
MMT Computing, 14, Angel Gate, City Road, E.C., 2.00

Company meetings are annual general meetings unless otherwise stated.

Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

This list is not necessarily comprehensive since companies are no longer obliged to notify the Stock Exchange of imminent announcements.



The death of culture as we know it

Andrew Clark explains why serious music will be battling against heavy odds during 1997

The outlook is pessimistic. Yes, there will be a greater variety of events next year than ever before, as the FT's comprehensive guide, Global Arts 1997, to be published on Saturday, will illustrate. Yes, the arts will make themselves more accessible than ever. The fees earned by singers, and the prices for art at auction, will doubtless reach new heights. But that doesn't mean to say the arts are in good health.

Quite the opposite. Art has become a consumer commodity. Today's criterion for artistic success is how much money it brings in, how large an audience it reaches, rather than what its intrinsic value might be. The problem with commercial success is that, given the propagating power of late 20th century technology, it squashes original ideas and creativity. If culture is the dream of a society, and those dreams are over-commercialised, they are no longer dreams; they become predictable and clichéd. If your aim is to sell to the largest audience, you have to use clichés which are already successful, in order to repeat that success.

This is the formula behind Andrew Lloyd Webber's musicals. Lloyd Webber works on the same principle as the photographer of a pretty postcard. He may start from an artistic standpoint, but he avoids taking too strong a personal view; instead, his work becomes a résumé of different views. If the view is too individual, it will not achieve the requisite sales. If you follow a creative path with idealism, you are condemned to seeing your work sidelined or unrealised.

That is why artists are under such pressure not to be individual or original. And the trend is reflected in the increasing democratic pressures on state subsidy. Even in Germany, where full subsidy has long been an enshrined doctrine of arts policy, you only have to look at the cuts being implemented in Berlin and Frankfurt to realise that the principle is being questioned. Elected representatives are under pressure to support only those events or organisations which appeal to the widest possible number. When investment has to be justified, quantity, not quality, becomes the deciding factor.

That ultimately spells the death of subsidy for serious music. Why subsidise something which has no popular appeal? But, I hear you say, there are still plenty of composers churning out music with financial assistance from the state or from enlightened sponsors. Yes, but like BBC's Radio 3, they form the last bastion of a dying establishment, clinging to the old idea of something worthy presented for the few. Henze and Stockhausen are *financially independent today* only because they were heavily subsidised when they began their careers. Their music is still subsidised, *but only because there is a* residue of faith in the old tradition of supporting the artist. How much longer will the state be willing to invest more than it gets back?

> *Today's criterion for artistic success is how large an audience it reaches rather than what its intrinsic value might be*

When the democratic principle is pushed to its extreme, populist tendencies negate the esoteric. Up to a point, the arts have only themselves to blame. Contemporary music has become so complex that it rarely combines originality and popular appeal. What we get instead is music which is abstruse, difficult to understand – unlike Beethoven's time, or even Elgar's, when composers could be idealists and popular at the same time.

But even the music of Beethoven is being overwhelmed by the tide of contemporary culture. *It is an anachronism, for example*, to find an audience willing and able to listen to a Beethoven string quartet – or to a beautiful modern work like Nicholas Maw's Violin Concerto, which is basically an extension of past tradition. They presuppose great attention and outward passivity – the very opposite of what technology is teaching the world about music today. Technology – the electronic reproduction and manipulation of sound and image – provides the means to propagate trends, and the content of these trends must by nature appeal to the lowest common denominator.

That is why extrovert expression has replaced the introverted aspect of the arts. It explains why Vanessa Mae is the most famous violinist today, why The Three Tenors tour earned enough to subsidise three opera houses, why Montserrat Caballé attracted worldwide attention through her work with Freddie Mercury. They all associated themselves with popular media.

There are still great artists, there are still great performances – above all where technical execution is concerned. But it is increasingly rare to encounter performances which move on an inner basis: there is no longer the mystique around a deep and *introverted artist who is able to* express in an atmosphere of quiet intimacy his thoughts about a work created with comparable intimacy. And the conditions conducive to appreciating music as sublime and intimate as the slow movement of Schubert's C major String Quintet are being eroded.

Serious culture is battling against heavy odds. It does not possess the extrovert properties and scope for audience participation that popular culture does. When *young people today refer* to a "new single", they don't mean a CD – they mean a video. Do you need a television screen for music? By popular definition, yes. The success of MTV is based on images as fast and varied as possible. And in order to accommodate these visual possibilities, the musical language is reduced to three chords and a single rhythm. This form of popular culture is wearing down people's ability to perceive something on an intimate basis – which is the character of the greatest music of the past.

The claim that culture always had a small audience is misleading. True, before the industrial revolution, there were not enough people who could afford it. But in the 19th century, a lot of people in Germany listened to Brahms; Italians of all backgrounds and education loved Verdi. In the early 20th century, one of the most popular German songs was *"Reich mir die Hand, meine Liebe"* – Don Giovanni's entreaty to Zerlina, translated from the Italian. Most people knew it then; how many now?

> *Opera represents traditional culture's greatest hope because its innate theatricality lends itself to today's media circus*

Of course, there will always be devotees of traditional culture; as long as there is that small establishment clinging to it and subsidising it at a loss, it will survive. The promotion of composers like Peter Maxwell Davies and George Benjamin is an attempt to prolong it. But in general, we are relying on a repertoire that drifts further and further into the past. At the end of the second world war Brahms had been dead less than 50 years; Strauss was still alive. There is no one – not even Tippett or Birtwistle – to replace them.

Despite its expense, opera represents the greatest hope for proponents of traditional culture, because its innate theatricality lends itself to today's media circus and the enabling quality of technology. We will see more productions of the Peter Sellars variety, imposing contemporary settings on old plots. And there will be a boom in the kind of cleverly marketed arena-style production that Raymond Gubbay promotes at the Royal Albert Hall – artistically inferior to subsidised performances, and certainly no cheaper, but less inhibiting for the audience, and not costing the taxpayer a penny.

Any creative work conceived on a traditional basis is likely to flop – and if it doesn't flop, it will be successful only within a small circle, at a financial loss to the community. That is why the outlook is pessimistic. As we say goodbye to the old year, we can look forward to the new, fully aware that it presages more multi-media shows, more amplification, more computer-programmed creativity and the death of culture as we know it.

Ballet/Clement Crisp

Cinders rises from the ashes

Amid the *totentanz* of Yuletide fun currently whirling us to indigestion and bankruptcy, I offer a salute to Harold King, who has regenerated his ballet company from the ashes of disaster. What once was London City Ballet is now City Ballet of London (any further change of personality may need a couple of new words in the title). It is *installed for what* is laughingly called the holiday period at what is no less laughingly called The Peacock Theatre.

King, shamefully denied adequate *Arts Council funding – he should have* played to smaller audiences with less enjoyable programmes, and then cash would have been flung at him – has battled long and hard to bring mid-scale, middle-brow ballet to happy crowds. After what seemed almost annual crises, his troupe collapsed this year, but has been reborn, renamed, and (as I saw on Thursday night) strengthened with new dancers.

The seasonal treat is Matthew Hart's *three-act Cinderella*. I liked it at its first performances earlier this year – not least for its determination *not* to copy the grand Ashton version, in which Hart danced – and I liked it even more earlier this month, with the Ashton staging (which I had seen the night before) still bright in the memory. The problem with this production, as with all others nowadays, is the Ugly Sisters, roles almost unplayable and far too dominant in the music. Hart makes them, as do the Russians, a couple of nasty-spirited girls, but he cannot surmount the difficulties of keeping them in their place. His pair are no less a drag (though not in drag) than in any other version.

Where Hart shows his true colours, and his true gift, is in the writing for the ballroom scene. This is skilfully worked out, triumphing over a small stage and less numbers than he should have, so that we delight in the patterns *of the dance and interweavings of character*. The outer acts are well organised, and his need to avoid Ashton does not seem wilful. The piece is, in sum, clear proof of creative talent. It was danced on Thursday with great verve by its cast, led by Tracey Newham Alvey and Michael Nunn (a guest from Covent Garden) as Cinders and her Prince, and with Edwin Mota impressive as Buttons (who is also a grasshopper: please don't ask why).

City Ballet's dancers were bright, eager in all things, and I was especially touched by the charmingly poised dancing of Pamela Smith as the Autumn Fairy. The score, albeit reduced in forces, sounded well under David Frame's baton. The season continues until January 4. The New Year will, I hope, bring the proper financial rewards for Harold King's company. There are subventioned groups and individuals in this country – no names, no tear-stained Christmas puddings – whose official grants seem to me more a tribute to political correctness than to any artistic merit. King's gallant band shows worth-while ballet to audiences happy to watch performances. *Sponsors should rally, and so should* arts councils. A Happy New Year – and a financially stable one – to Harold King and his hard-working artists.

INTERNATIONAL ARTS GUIDE

ANTWERP

EXHIBITION
MUHKA – Museum van Hedendaagse Kunst Tel: 32-3-2385960
● Above-Below the Surface: exhibition presenting works by four Finnish and four Flemish contemporary artists: *Kari Cavén*, Ulla Jokisalo, Markku Kivinen, Nina Roos, Bert de Beul, Berlinde de Bruyckere, Paul de Vylder and Ria Pacquée. Following the showing in Antwerp, the exhibition will travel to the Nykytaiteen Museo in Helsinki; to Jan 12

BARCELONA

EXHIBITION
Fundació la Caixa Tel: 34-3-4588907
● Tibetan Sacred Art: this exhibition of about 200 pieces of sculpture and "thangka" (roll-up paintings on fabric used as an aid to meditation) presents a journey through 12 areas which symbolise the different religious spheres with the most representative characters and deities in Tibetan Buddhism. The works are from public and private collections in Europe and the US and span the period from the ninth to the 19th century. Following the exhibition in Barcelona the show will travel to Japan; to Jan 12

BERLIN

CONCERT
Komische Oper Tel: 49-30-202600.
● Orchester der Komischen Oper: with conductor Yakov Kreizberg, soprano Noëmi Nadelmann and tenor Donald George perform works by Johann Strauss and his sons; 3pm & 7pm; Jan 1
Philharmonie & Kammermusiksaal Tel: 49-30-2614383
● Berliner Symphoniker: with conductor Peter Ernst Lassen, violinist Patrice Fontanarosa and narrator Karl Dietrich Gräwe perform works by Khachaturian, Delius and others; 4.30pm & 7pm; Dec 31

OPERA
Deutsche Oper Berlin Tel: 49-30-3438401
● Martha oder der Markt zu Richmond: by von Flotow. Conducted by Hans Hilsdorf, performed by the Deutsche Oper Berlin. Soloists include Carol Malone and Hans Peter Blochwitz; 7pm; Jan 3

COPENHAGEN

CONCERT
Det Kongelige Teater Tel: 45-33 69 69 69
● Det Kongelige Kapel: with conductor Manfred Honeck, soprano Henriette Bonde-Hansen and tenor Keith Ikaia-Purdy perform works by Bizet, Brahms, Lehár, Dvorák, Johann Strauss, Josef Strauss and Lumbye; 5pm; Dec 31

EDINBURGH

CONCERT
Usher Hall Tel: 44-131-2281155
● Scottish Chamber Orchestra: with conductor Carl Davis and soprano Claire Ruther perform works by Strauss, Schubert and Lehár; 7pm; Jan 1

GENEVA

EXHIBITION
Petit Palais Musée d Art Moderne Tel: 41-22-3461433
● Le Pointillisme: exhibition of some 70 works from the Neo-impressionist collection of the Petit Palais. The display includes works by artists such as Albert Dubois-Pillet, Maximilien Luce, Charles Angrand, Van Rysselberghe, Van de Velde, A.J. Heymans, Henri Martin, Pietro Mengarini, Signac, Gausson, Laugé and H. Petitjean; to Dec 30

LONDON

CONCERT
Barbican Hall Tel: 44-171-6384141
● London Concert Orchestra: with conductor Anthony Inglis, tenor Arthur Davies, baritone Mark Holland and pianist John Lenehan perform works by Rossini, Grieg, Tchaikovsky, Bizet and Gershwin; 3pm; Jan 1
Wigmore Hall Tel: 44-171-9352141
● Louis Lortie: the pianist performs works by Chopin; 7.30pm; Jan 3

DANCE
Royal Opera House – Covent Garden Tel: 44-171-2129234
● Swan Lake: a choreography by Marius Petipa/Lev Ivanov to music by Tchaikovsky, performed by the Royal Ballet. Soloists include Miyako Yoshida and Irek Mukhamedov; 7pm; Jan 3

LOS ANGELES

EXHIBITION
UCLA at the Armand Hammer Museum of Art and Cultural Center Tel: 1-310-4437020
● René Magritte: The Poetry of Silence: exhibition featuring about 45 paintings, sculptures and gouaches by the surrealist artist René Magritte. Drawn largely from the Menil Collection in Houston, the exhibition provides an overview of Magritte's career from his early cubist works to his mature surrealist statements; to Jan 5

MILAN

DANCE
Teatro alla Scala di Milano Tel: 39-2-72003744
● Die Lustige Witwe: a choreography by Ronald Hynd to music by Lehár, performed by the Corpo di Ballo del Teatro alla Scala and the Orchestra Sinfonica di Milano Giuseppe Verdi. Soloists include Carla Fracci, Susan Jaffe and José Manuel Carreño; 11am & 6pm; Dec 31

EXHIBITION
Marino Alla Scala Art Center Tel: 39-2-8063821
● Picasso: la collezione nascosta: exhibition of works by Pablo Picasso from the collection of Jacqueline and Maurice Bresnu. The exhibition includes 106 works on paper and 11 ceramics; to Jan 6

NEW YORK

EXHIBITION
Whitney Museum of American Art Tel: 1-212-570-3600
● No Wave Cinema 1978-87: during the period of 1978-1987, the Lower East Side of Manhattan became the American center of new music and independent, narrative filmmaking. This closely knit community of artists, performers and musicians collaborated on many projects. The exhibition is composed of films and videotapes by Beth B, Lizzie Borden, Abel Ferrera, Vivienne Dick, Richard Kern and others; to Jan 5

OPERA
Metropolitan Opera House Tel: 1-212-362-6000
● Hänsel und Gretel: by Humperdinck. Conducted by Andrew Davis, performed by the Metropolitan Opera. Soloists include Dawn Upshaw, Jennifer Larmore and Marilyn Zschau; 7pm; Jan 2

PARIS

EXHIBITION
Centre Georges Pompidou Tel: 33-1-44 78 12 33
● Paul Facchetti: exhibition devoted to the work of Paul Facchetti (b. 1912) who was active as a photographer in Paris in the 1940s and 1950s; to Jan 6
Musée d'Art Moderne de la Ville de Paris Tel: 33-1 53 67 40 00
● Life/Live: exhibition focusing on contemporary British art. The display features works by some 100 artists, and includes photographs, videos, installations and other objects; to Jan 5

OPERA
L'Opéra de Paris Bastille Tel: 33-1 44 73 13 99
● Porgy and Bess: by Gershwin. Conducted by John DeMain, performed by the Houston Grand Opera and the Orchestre Lyrique de Paris; 2pm & 8pm; Dec 30 (7.30pm), 31 (7.30pm); Jan 2, 3, 4, 5 (3pm & 7.30pm)

VIENNA

OPERA
Wiener Staatsoper Tel: 43-1-514442960
● Der Schweigsame Frau: by R. Strauss. Conducted by Horst Stein, performed by the Wiener Staatsoper; 7.30pm; Jan 2

Listing compiled and supplied by ArtBase The International Arts Database, Amsterdam, The Netherlands. **Tel: 31 20 664 6441. E-mail: artbase@pi.net**

WORLD SERVICE
BBC for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV
(Central European Time)

MONDAY TO FRIDAY

NBC/Super Channel:

07.00
FT Business Morning

10.00
European Money Wheel
Nonstop live coverage until 15.00 of European business and the financial markets

17.30
Financial Times Business Tonight

CNBC:

08.30
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

In a class all of its own

Simon Targett visits a village school on the verge of graduating from failure to arts academy

The late Sir Basil Spence, Coventry Cathedral's architect, would today probably not recognise Rhyn Park, the little school he designed nearly 40 years ago at St Martin's, Shropshire, on the border between England and Wales.

Nor would Ian Woosnam, the golf Masters champion who attended the school in the 1970s, when it was a secondary modern taking pupils who had failed the 11-plus examination needed to enter an academically focused grammar school.

Rhyn Park – or St Martin's Secondary Modern School as it was then known – turned out battalions of low achievers drawn from the surrounding mining villages. Mr Ian James, an old boy who returned as head of maths in September, remembers his school days with bitterness. "Nothing much was expected of you, and so people got terrible results," he says.

Today the tiny complex of mainly single-storey wooden buildings in the former mining village close to the border town of Oswestry has been physically transformed. Outside, there are new art buildings and a hangar-style sports hall. Inside, a smart high-tech library has replaced damp and unpleasant toilets; a small theatre stands where there was once a plain assembly hall.

As William Griffiths, a lanky 14-year-old studying for GCSEs, reveals: "There is a running joke here that, when you leave, the school will look nothing like it did the day you joined."

Much more important things have happened to the education the school provides its pupils. In the past few years, Rhyn Park has more than doubled the proportion attaining five good passes at GCSE, given its pupils a new sense of worth, and is fast on its way to becoming oversubscribed.

In 1990, just 16 per cent of pupils attained five good GCSEs – the national average is more than 40 per cent. Mr James was the only pupil in his year to pick up five grade one CSEs – equivalent to O-level passes. He went on to qualify as a teacher at Manchester University but many of his contemporaries left school without qualifications to join the army.

"Some are captains now," he notes with a smile. "It just shows how far the school got it wrong."

Now the results at Rhyn Park, an 11-16 mixed school which became comprehensive in 1979, are very different, with 39 per cent achieving five good GCSEs last year. Almost everyone leaves with at least some kind of qualification.

And more than mere exam results, Rhyn Park has given its pupils a new confidence. There is Jane Wright, a traveller's child, who proudly wears the uniform and special green tie of the fifth form. There is Mr Ewan Gibson, a 19-year-old Exeter University music student, who comes back to accompany the carol singers during the Christmas concert, a gesture of appreciation for what the school did for him.

And then there is Bev Green, a 16-year-old now singing in the national youth choir, whose talent was discovered at Rhyn Park. "If it wasn't for the school, I wouldn't have started singing," she says.

This year, a group visited London, a great joy for rural children, some of whom had never seen the capital before. "It was nice to see all the places on the Monopoly board," says William Griffiths.

The catalyst for change was the appointment of a new headteacher in 1984, Mrs Janet Warwick, who came from a neighbouring school where she had been deputy head. Initially she made only slow progress, she says, as she fought to "create the right atmosphere". But as she stresses, "there are no quick fixes in education".

Central to her plan was the creation of an ethos which promotes the individual. "I think that every young person has got something special," Mrs Warwick says. "It is our job to discover it and nurture it."

Many teachers would echo such sentiments, but Rhyn Park makes them a reality. For example, there are award ceremonies where "progress" is applauded, and not just "achievement".

And everyone is entered for examinations. "We take the view that for some people a G at GCSE [the lowest pass grade] is a very real achievement," Mrs Warwick says.

In fine voice: Rhyn Park focuses on music, art and drama

Rhyn Park is prepared to experiment to achieve its aims. In an effort to create the right atmosphere, to break down the barriers between school and home, it recently tried Sunday school (which did not work), breakfasts (which did work) and early morning lessons (which worked for 18 months).

The most successful innovation has been so-called "vertical tutoring", where five people from each age group are put together in one registration class. According to Mr John Stevens, a Shropshire county councillor and chairman of the governors, this has transformed Rhyn Park into "a family school". He plans to send his daughter to the school next year.

One important achievement in 1996 was the staging of *A Midsummer Night's Dream*. "It was our first Shakespeare," Mrs Warwick says. It proved to everyone that a school which had previously seen a production of *Grease* as its high point could "achieve Shakespeare".

More important, it was a pointer to the future. Rhyn Park is toying with becoming one of the country's first specialist arts schools, continuing with the national curriculum but focusing especially on performance subjects, for which it is considering an application in May for government funding.

Mrs Warwick herself is a theatre specialist, having studied English and drama at Goldsmiths' College in London. A quarter of the students taking GCSEs take two arts subjects from drama, art and music.

Last summer, Rhyn Park won £500,000 from the lottery for improving its theatre, which regularly hosts troupes of professional actors.

Mrs Warwick is restless in her pursuit of reform, setting new targets every year. "Yes, Rhyn Park is doing better," she says. "But it can do better still."

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'); e.mail: letters.editor@ft.com Published letters are also available on the FT web site, http://www.FT.com Translation may be available for letters written in the main international languages.

Lay down rules for press as well as PR

From Mr Brian Basham.

Sir, In an unpleasantly arrogant little piece in her column headed "Happy new year, happy new environment" (December 23), Lucy Kellaway bites the hand that feeds the newspaper industry when she says that "corporate PR is a mucky business by its very nature". It isn't and it's silly of Ms Kellaway to say it is.

She then goes on to say: "If there is anything to be learnt from the Basham case, it is that the time has come for regulation of the industry." I agree with the need for regulation of the financial public relations industry and I would go further to say that the industry is already governed by the Financial Services Act in that so much of what financial public relations people do is "an advertisement for investment purposes" under the terms of the act; it's just that no-one has registered.

However, within the context of the article it looks as though I did something which I wouldn't have done if the industry had been regulated – in other words, that I did something improper.

That, I'm afraid, is a suggestion I cannot tolerate. I've just spent a month in the High Court arguing my case and I won hands down. The muckiest business in the whole BA/Virgin affair was that a journalist was sent into my home with a hidden tape recorder and list of questions, both of which had been given to him in an attempt to trap me. Another journalist then took what I said out of context and wrote a book which both damaged and defamed me.

In my case the whole fight was about freedom of speech – my freedom – versus bad journalism. If Ms Kellaway's view, with which I agree, is that we should have "a few rules to make sure the battle is reasonably fair", then perhaps some special (statutory) rules should be laid down for journalists as well.

Brian Basham,
16 Elsworthy Rise,
London NW3 3SH, UK

Sterling's appreciation can only benefit UK economy and policy

From J. Gore Browne.

Sir, I write in praise of Samuel Brittan, especially in relation to his piece, "A tale of two governors" (December 5). His views were the first decent analysis I have seen of the possible consequences for the UK of a gradual strengthening in the value of sterling.

I share his view that movements in the currency must be a constituent part of any assessment of the UK's inflationary prospects and I hope the Bank of England now agrees with that proposition.

However, I depart at the margin from his view that "Of course, British exporters would like a low pound." I agree that those British exporters marketing price-sensitive consumer goods do find it easy to promote and shift their products if they can compete effectively on price. Such manufacturers are finding the changed situation difficult to deal with, but they are being rescued by a strong domestic consumer market.

However, manufacturers of sophisticated high-value products may well be selling into markets where reputation, durability, technical advantage, delivery times and service contracts are more important than price. Those manufacturers may well have orientated their marketing towards such factors already, but if the gradual improvement in the value of sterling is to continue, all UK manufacturers are going to have to continue to market aggressively on factors other than price. I think this will be beneficial for the UK over the long term.

Indeed, I can see little downside for the UK economy in a strengthening sterling, provided the appreciation is managed carefully and gradually. The concept of managing a strengthening currency is entirely new territory for UK economists and commentators and I look forward to reading a precise definition of the impact of sterling's strength on the UK economy. Is such a trend inflationary or deflationary? Which manufacturing sectors will benefit and which will suffer? Will the UK construction industry benefit from an appreciation in sterling? What are the daily volumes in sterling trades? When will the Financial Times publish such information and when, indeed, will the Financial Times publish information about volumes in all the stocks quoted?

The foreign policy implications of a gradually strengthening sterling are enormous. A weak currency has damaged this country's ability to pursue a dynamic and constructive foreign policy throughout this century. One very remote possibility is the prospect of French and German policymakers listening to what the UK has to say about the future of the European Union, before the launching of another venture such as the European Monetary Union.

J. Gore Browne,
Rutland Centre,
Halford Street,
Leicester LE1 1TQ, UK

France may be gloomy, but it is not sick

From Mr William Lee.

Sir, Dominique Moïsi's article, "Gloom of the sick man" (December 13), confuses the French "malaise" for illness.

France is becoming more competitive. Spurred by a healthy fear of falling behind, it is submitting to a cure to bring the welfare state under control. For the first time in years, government spending in 1997 will decrease in real terms. Special taxes have been imposed to save medical insurance and social security benefits.

The French accept that the days of wine and roses are over so they are gloomy, but their "morosité" is French. They take delight in the pessimistic oratory, but they know that France's fundamentals are strong.

Political stability is the strongest factor. Jacques Chirac has a seven-year term as president. He is implementing unpopular policies but has time to turn things around. Moreover, despite their tendency towards "malaise", the French respect authority and give it room to act.

Other fundamentals are the trade surplus and the strength of the franc. Historically the currency and bond markets undervalued France because of its poor record of monetary stability – the D-Mark was seen as stronger. The Juppé government has had to fight this prejudice. It has won. The franc is strong even though three-month rates have fallen from 7.35 per cent to 3.5 per cent, and 10-year rates have dropped to 6 per cent per annum.

So the French should not be patronised. They are going through a rough patch but will emerge stronger. President Chirac has the means to make France the leader of Europe by the time he stands for re-election.

William Lee
president, Triangle Group
91 Rue du Faubourg
St-Honoré
75008 Paris
France

Recognition for recovery

From Mr John Littlewood.

Sir, In your editorial "The ghost at Europe's feast" (December 21/22) you refer to the growth rate in Europe in the 1960s and early 1970s of 4.8 per cent and to the "dreary" prospect of an average of 1.9 per cent in the 1990s.

The 1960s and early 1970s were an economic disaster for the UK when its growth was little more than half the European rate, but in the 1990s we are heading for a growth rate usefully better than the rest of Europe.

This is a significant improvement in our economic fortunes and I am surprised that you made no reference to it in your long editorial. The economy is the sum total of all our efforts and deserves recognition. If it were a stock in a sub-sector called Europe, Lex would be praising it for its recovery and sustained outperformance.

John Littlewood,
Mavins Court,
Greenhill Road,
Farnham, Surrey, UK

Contrary notions

Tony Jackson defines a new class of propositions and dispels a few popular myths

There is a class of propositions which deserves a name of its own, but which I have never seen defined. Let us call it Contrary Notions.

Propositions belonging to this class have two distinguishing features: they are widely held and seem self-evident; and on closer inspection, they turn out to be the reverse of the truth.

Here are a few examples: **More tickets, better odds.** This says the more tickets you buy in a lottery, the more likely you are to win.

Actually, the reverse is true. "There is not a more certain proposition in mathematics," Adam Smith wrote 200-odd years ago in *The Wealth of Nations*, "than that the more tickets you adventure upon, the more likely you are to be a loser."

To illustrate his point, take the most basic kind of lottery: one in which there are 10 tickets of £1 each, with a single prize of £5.

Buy no tickets, and you lose nothing. Buy one, and you have a 10 per cent chance of winning £5. Mathematically, this is worth 50p; so having paid £1, you are down 50p. Buy two, and you have paid £2 for a 20 per cent chance of £5, worth £1, so you are down £1. And so on, until you buy the lot, when you are dead certain to lose a fiver.

In terms of the UK National Lottery, this could prove expensive. The weekly stake is running at about £80m, and the prize payout is roughly 50 per cent. So in the average week, buying all the tickets – and scooping all the prizes – would cost you £40m.

The expensive smoker. This says that cigarette smokers impose a financial burden on the rest of us. In fact, they are substantial benefactors. If they all stopped smoking tomorrow, public spending would be in much worse shape.

To start with, tobacco duty and corporation taxes on tobacco companies go some way towards covering the cost of entire health services on their own. In the UK, for instance, the National Health Service costs about £40bn a year. Tobacco duty and taxes raise about 20 per cent of that, or £8bn.

More to the point, a huge amount of health spending goes on the old and chronically sick. Cigarette smokers typically die young from heart disease and lung cancer, thus saving a lot of expense for the rest of us. Most important, having paid money into their pension funds, they do not live to collect it.

More paper, fewer trees. Books and newspapers are made from trees. It therefore seems obvious that if fewer people read books and newspapers, there would be a rise in the tree population.

This is rather like saying that if everyone in the UK suddenly went vegetarian, there would be more pigs and chickens. That might be true for a while: but after the existing ones died off, who would raise the next lot?

While the paper industry is not exactly environmentally friendly, it does grow trees in vast profusion. A modern paper mill, after all, cost some $250m (£150m) to build. Having spent that kind of money, you would look pretty silly if you ran out of wood. You therefore put your mill where the trees are and take care to replant them as you cut them down.

There is no denying that the pine and eucalyptus forests grown by the paper industry are environmentally pretty awful, being monocultural, ugly to look at and hostile to many forms of wild life. But from the point of view of the biosphere, a pine tree is better than no tree at all.

In the end, the biggest threats to the world's tree population would be the death of the printing trade and the advent of the paperless office. Fortunately, neither shows any sign of happening.

Boxing gloves reduce injuries. This seems the most obvious notion of the lot. Bare-knuckle fights are patently barbarous – even more so than the conventional version.

But in reality, I am assured, hitting someone on the head with a bare fist gives you a very sore hand. Conversely, with a boxing glove you can hit a brick wall as hard as you like and scarcely feel it.

Boxing injuries are mostly caused not by cuts and bruises, but by brain damage from the acceleration of the skull in response to a blow. The harder the blow, the greater the damage, glove or no glove.

This is not an argument for re-introducing prize fights. There are purists who argue that seat belts increase the number of motoring accidents by making drivers feel secure. Better, they say, to have a lethal spike mounted on the steering wheel pointed at the driver's chest.

Logically, they may be right: but occasionally, logic can get out of hand. Perhaps this is the other feature of Contrary Notions: that despite being irrational, they have an emotional appeal which allows them to survive.

As an ex-smoker and a newspaper man, I tend to a benign view of smokers and paper companies. But as an ordinary non-rationalist, I shall be buying a lottery ticket this week. Perhaps, it being the New Year, I may even buy a couple.

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

Monday December 30 1996

Democracy in Serbia

There is a general rule that regimes which lead their peoples into disastrous conflicts are soon driven from office. Presidents Saddam Hussein of Iraq and Slobodan Milosevic of Serbia have so far been conspicuous exceptions.

The former has deflected his people's anger on to western powers which have kept the country languishing under UN sanctions. The latter, by contrast, having done more than anyone else to bring about the bloody dissolution of Yugoslavia by fanning the flames of ethnic nationalism, made himself appear the indispensable peacemaker without whose help the conflict could not be ended. The western world has almost fallen over itself to lift sanctions on Serbia, as a reward to Mr Milosevic for his part in the Dayton peace agreement.

That has left western leaders in an awkward posture now that there are mass demonstrations against the Serbian president in Belgrade and other cities. The demonstrators support opposition parties, whose claim to have won last month's municipal elections has now been vindicated by the Organisation for Security and Co-operation in Europe (OSCE).

Some western governments seem to have been hoping the protests would die down, so that they could carry on doing business with a Serbian leader they have got to know and, up to a point, respect. That reaction was mistaken. Even if Mr Milosevic did play an essential role in bringing the Bosnian fighting to an end, he has since done little to help realise the programme for a reunited, democratic Bosnia contained in the Dayton agreement. And now, having invited the OSCE to investigate the Serbian local election results, he appears prepared to reject its findings – showing again that he respects western ideas and institutions only so long as they can be twisted to strengthen his hold on power.

The present stage of peace-building in former Yugoslavia requires political stability. It is illusory to suppose Mr Milosevic can provide this while he ignores elementary democratic principles. If anything now threatens Serbia itself with civil war, it is his undimmed determination to retain power by any means and at any cost.

The response must not be renewed economic sanctions, unless they can be constructed (for instance by freezing individual bank accounts) to penalise Mr Milosevic and his cronies while sparing the Serbian people. But the west should leave Serbs in no doubt where its sympathies lie. It should have no further dealings with the dictator unless he accepts the elected local authorities. And it should express firm support for an opposition whose dignified behaviour has done much to redeem the Serbs' tarnished international reputation.

Central America

The last of the the civil wars that tore Central America apart in the 1980s was set formally to end yesterday with the signing of a peace treaty between the Guatemalan government and the left wing URNG guerrillas.

This accord to end a conflict that has dragged on for 36 years is no mere symbol. It is a breakthrough for a region that has fallen from international prominence in the decade since the Reagan administration declared it on the front line in the struggle against communism.

The hard-won agreement comes almost five years after a peace accord was signed in El Salvador and it is one in which Mr Alvaro Arzú, the Guatemalan president, is entitled to take pride. He has handled negotiations with the armed forces with great intelligence, identifying progressive groups within the military with whom to advance the peace.

Such agreements always entail uneasy compromises, as has this one. The amnesty law passed this month draws a veil over the many crimes committed by both sides in a conflict in which 140,000 people were killed. The military – as the greatest offender – is the greatest beneficiary of an amnesty. But without an amnesty a successful peace was not a practical possibility.

Foreign governments have played an important role in bringing both sides to the table and keeping them there: their money will be needed to secure the peace. The treaty's promises, says the government, will cost \$2.8bn, of which \$1.5bn is needed from foreign donors.

Guatemala – as one of the few lightly indebted Latin American republics – is an ideal candidate for a mixture of loans and grants from donors. However, donor governments are right to insist that the government itself needs radically to improve its tax raising capacity.

The peace is a great opportunity to promote economic integration, from which the small economies of the region can benefit greatly. Improving the region's electricity grid – an idea now being developed with the InterAmerican Development Bank – is just one example of the economies of scale that integration can generate.

The peace agreement is a critical first step in addressing Guatemala's other problems, such as a standard of living among the lowest in Latin America and ethnic divisions. It needs private sector growth and increased government spending on health and education. By fulfilling its treaty commitments, the government would make a good start towards addressing these issues. Foreign governments should play their part too by providing significant financial backing for the treaty.

Number 10

"The prime minister is at the head of our business and, like every head of a business, he ought to have mind in reserve." Bagehot identified the problem in 1875 – but not the solution. All prime ministers leave Number 10 wishing they had found room to think and plan as well as govern. And every prospective prime minister is convinced they will be different.

Poor management at the centre has not caused all Mr John Major's troubles but it has often deepened them. Labour strategists are sure Mr Tony Blair could organise things better: the question is how.

Prime ministers need at least three distinct types of resource. First is logistical support to manage the day-to-day business of government. Second is capacity to keep track of the longer view; to ensure policies hang together. Third, there are the ideas that come from looking beyond the current set of policy options and "thinking the unthinkable", often a job for advisers and think-tanks outside government.

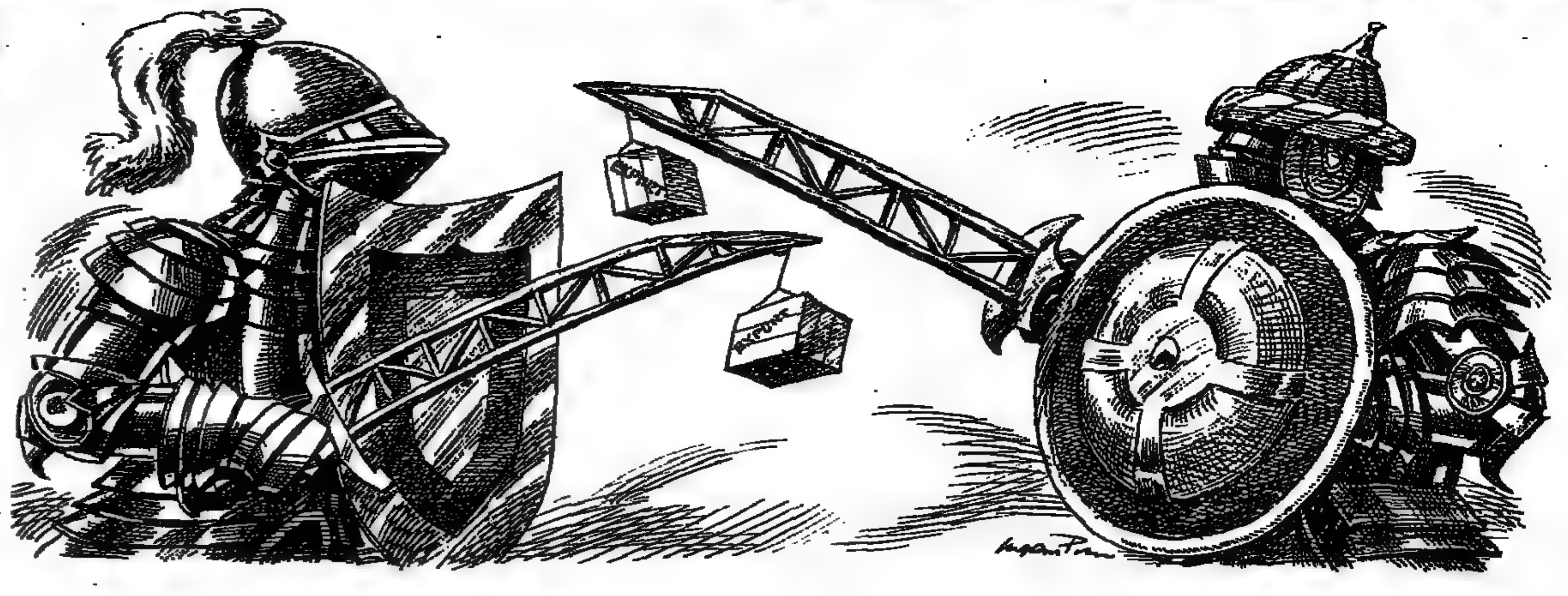
In theory the Downing Street Policy Unit now plays both of the first two roles. But in practice its members have been increasingly drawn into performing only the first, crisis management, role. Some senior Labour officials would like to fill the gap by reviving the old Central Policy Review Staff created in 1971 but disbanded 12 years later. Others, possibly including Mr Blair himself, are sceptical, preferring to make the Policy Unit more strategic.

This sounds sensible. The CPRS's record was decidedly mixed, in part because it was never clear whether it ought to be thinking strategically or, rather, unthinkably. More pertinent perhaps for Mr Blair, it was intended to serve the government as a whole, not simply the prime minister.

With money tight, the Labour leader will need to keep at least as tight a rein on his colleagues in government as he has in opposition. This suggests that he will want advisers linked directly to Number 10 to keep tabs on issues that cross departments. A revamped policy unit might serve this function. But some warnings are in order.

First, the way positions are arranged and what they are called are far less important than the people who fill them. Equally, their effectiveness will be judged in the end not by the style of their advice but by the substance.

Finally, whatever Mr Blair decides in the event of his occupying Number 10, he should expect to be disappointed. There will never be enough hours in the day for modern prime ministers to do all that is expected of them – and never enough "mind in reserve".



Exchange of hostilities

There need not be a clash of civilisations in a world where prosperity is built on international trade, says **Martin Wolf**

I hate; therefore I am. It is not only the mass of humanity that craves enemies. So do experts on security. Almost as soon as the Cold War had vanished into history, new sources of conflict simply had to be found.

A serious strategic thinker cannot be satisfied with minor conflicts among, or within, insignificant states. He needs something more compelling. In the contest for the grandest vision of potential conflict, Professor Samuel Huntington of Harvard University has scooped the jackpot.

What could follow the Manichaean conflict between the "Free World" and communism? The answer, insists Prof Huntington, lies in an idea he put forward in *Foreign Affairs* in the summer of 1993 and has now elaborated in a thought-provoking book: it is "the clash of civilisations".*

How predictable! How depressing! But also, alas, how plausible! Humans search for reasons to fight. With Prof Huntington showing the way, they will readily find what they seek.

Yet it would be unfair to condemn the good professor as a mischief-maker. True, it would be a sad day for strategic thinkers if there was no strategic conflict to worry about. But Prof Huntington is no mere fabricator of threats. His thesis is disturbingly cogent.

It rests on six legs:

- For the first time in history, global politics is being played among powers that belong to different civilisations.
- The new world order will be based on those civilisations – the chief protagonists being the western, Sinic (ie Chinese), Islamic, Hindu, Japanese and Orthodox Christian.
- The west, though still much the most powerful civilisation, is in relative decline.
- "The dangerous clashes of the future are likely to arise from the interaction of western arrogance, Islamic intolerance, and Sinic assertiveness."
- Also "the survival of the west depends on Americans re-affirming their western identity and westerners accepting their civilisation as unique not universal".
- Finally, "avoidance of a global war of civilisations depends on world leaders ... co-operating to maintain the multi-civilisational character of global politics".

True to his trade, Prof Huntington is prepared to think frightening thoughts. Thus, in one chilling paragraph he asks whether it might be in America's interest to go to war to prevent Chinese hegemony in East Asia. "If," he adds, "Chinese economic development continues, this could be the single most serious security issue American policymakers confront in the early 21st century."

Now wait a moment, Prof Huntington. Before considering a war between two nuclear powers that might cost the lives of tens of millions of innocent people, could we first ask whether the suggestion makes sense?

Yes, human beings (at least male ones) are addicted to large-scale strife. And yes, as Dean Swift pointed out, sufficiently little people might go to war over which end to start eating an egg. But is it really necessary to fight over the degree of respect to be given parents? Differences among human cultures are one thing; justifications for war are quite another. The argument needs to be carefully dissected into the persuasive bits and the less so.

Prof Huntington is right in one fundamental respect. Humans are divided into civilisations that are both long-standing and deep-rooted. The view that the world is converging on the culture of the Big Mac is – thank the Lord – superficial drivel.

Less compelling is Prof Huntington's conviction that countries which modernise economically will be immune to western ideas altogether. He is right to argue that economic upheavals can make people cling still harder to the values that define who they are. Consider what is happening in the Islamic world. Yet wherever people have made a big success of modernisation, demands for greater political participation and personal freedom have followed. This western "disease" has struck Japan, Taiwan, South Korea and Hong Kong. Will China prove immune?

Even so, Prof Huntington correctly insists such changes are beyond the west's power to impose. He argues that "western belief in the universality of western culture suffers three problems: it is false; it is immoral; and it is dangerous". It is immoral because it is imperialist, and dangerous because implicitly bellicose. The west has neither the right nor the power to remake the world in its own image.

Accept then that contemporary civilisations are different and likely to remain so, although the extent of these differences must also not be exaggerated. Accept, too, that convergence on the western values of democracy and human rights is uncertain and, at best, slow. Does this necessitate conflict?

"Of course not" is the answer. Lilliputians were not doomed to fight over how to eat eggs. Nor are we doomed to fight over which God we pray to.

One reason for resisting Prof Huntington's thesis is that the most bitter conflicts have, historically, not been among civilisations, but within them. In the 16th century, the Ottoman and Persian empires fought bitterly over supremacy within Islam. The civil war brought about more American deaths than all other US wars put together. The great European wars between 1914 and 1945 caused the deaths of tens of millions of people.

People do hate those different from themselves. But the people they hate most are often their neighbours. There is nothing quite as bloody as fratricide.

If most conflict has not, historically, been between civilisations, must differences between civilisations lead to conflict? The answer is a resolute no. The question is how people view both these differences and their interests.

An important – arguably decisive – distinction here is between proselytising and non-proselytising civilisations. The west has always been proselytising, both as Christendom and, more recently, as the protagonist of liberal democracy. So has Islam. By contrast Chinese civilisation is only modestly proselytising and Hindu civilisation not at all.

However powerful China or India become, why should the west not be able to live quite peacefully alongside both, on the basis of mutual non-interference? The same applies to Japan, now its imperialism of the 1930s has been discredited and discarded.

Islam is a different case. It seeks converts, historically by the sword – as has also been true of Christianity, however pacific the creed of its founder. But the capacity of Islamic societies to achieve converts by force is nil for the foreseeable future. The danger posed by the Islamic world to the rest of the globe derives not from its power but from its political instability. What is needed in the world of Islam is order underpinned by economic development, in place of the fractiousness caused by economic failure.

Moreover, if differences are to lead to confrontation, interests must also be seen to be in conflict. But here there is reason for optimism. A mixture of intellectual advance with political changes makes the perception of conflicts of interest somewhat less likely.

Historically, states have sought to govern more territory, control more people and seize more precious goods. This meant war. Even in the mercantilist era of the 16th and 17th centuries, the search was for monopolies and monopsonies. From that came a new imperialism – condemned by Adam Smith, in the case of Britain, as the attempt to found "a great empire for the sole purpose of raising up a people of customers".

The most important contribution of economics to international relations is the proposition that such efforts are mistaken for any country seeking to raise the prosperity of its citizens. The most effective route to prosperity is internal economic development, together with voluntary international trade. In this way states can obtain the benefits of empire without its costs.

Hitler's search for *Lebensraum* and the Japanese desire for a "greater east-Asian co-prosperity sphere" were not just crimes, but blunders. No less mistaken was the British empire, which was not the source of the country's power but its consequence and, ultimately, a drain upon it. Defeated Germany and Japan achieved more prosperity than they had dreamed of, without bearing the costs of the empires they had sought. Such a peaceful success would not have satisfied their demented rulers of the 1930s. But now those in power must take account of the aspirations of the people at large.

The same is true of more and more countries. Today, in fact, all the great powers are trying to promote internal development, while relying on mutually enriching international commerce. None is making significant territorial claims upon the others. Given the catastrophic collapse, only a few years ago, of the largest territorial empire in history, this shows no more than elementary common sense.

This change in point of view has potentially dramatic implications. The rise of new economic powers such as China need not be seen as a threat. Properly understood, there is no fundamental conflict of interest between a rising China and the west. Economic exchange between them is a "positive-sum" game. Everyone can gain.

So are things bound to turn out satisfactorily? Alas no. The past is one of crimes and follies. Armed with a simplistic version of Prof Huntington's thesis a foolish US president might, for example, let his gaze wander over the world looking for irreconcilable conflicts where none need exist.

But he could derive more sensible guides for action.

First, he would support and globalise the multilateral institutions that govern and promote peaceful international commerce.

Second, he would accept that a world of different civilisations need not be one of uncontrollable hostility between them – provided the main players abjure terrorism and similar military threats against one another.

Third, he would, try to cement western unity, by strengthening the links that bind the US to Europe, the cradle of western civilisation.

Fourth, he would call on Americans to see themselves as living in the leading western power, rather than in some sort of multi-cultural hotchpotch.

Last and perhaps most difficult, he would recognise that his country cannot make the world in its own image, except by the power of successful example.

Prof Huntington foresees a world of mistrust, conflict, even war. But what he describes is merely a world of differences. Differences can be a source of mutual benefit. While remaining true to its own unique civilisation, the west should tolerate, even enjoy, that variety.

"Vive la différence" is not just the best, but the only sensible motto for today's world.

**The Clash of Civilizations and the Remaking of World Order (New York: Simon & Schuster, 1996).*

· OBSERVER ·

A gift for tongues

■ Hardly a day goes by without the world hearing, seeing or reading Benjamin Netanyahu, the Israeli prime minister, on the radio, telephone, television or Internet. So what might be his New year's resolution is perhaps obvious, when you think about it.

A self-proclaimed great believer in the power of communication, Netanyahu has now decided to take his messages in Hebrew and English to the Arab-speaking world. Equipped with 56 hours of cassettes and a textbook, he's started learning Arabic in his spare time.

David Bar-Illan, Netanyahu's media adviser, says the prime minister feels that conversing with and understanding Israel's Palestinian neighbours in Arabic will be an advantage.

Some Arabs aren't quite sure how to respond. Ahmad Tibi, an aide to Yassir Arafat, president of the Palestinian Authority, has cautiously stated that language is a good tool of communication.

Diplomats would probably prefer Netanyahu to spend more time putting the peace process back on track – not by speaking but perhaps by listening to the Arabs. After all, many speak English – and Hebrew, especially those who have seen the inside of Israeli jails.

Forever cheap

■ De Beers recently admitted that it had been somewhat underestimating the size of the global retail diamond market, on which it tries to keep a close watch.

The South African group, which controls about 60 per cent of world trade in rough or uncut diamonds, discovered that retailers in the US did not consider cheap jewellery to be worth recording in the surveys conducted on behalf of De Beers.

However, now that the Americans have been persuaded to change their minds, De Beers has been able to add \$1bn to the world diamond jewellery retail figures for 1995, taking them to \$52.66bn.

But there again, what's \$1bn between friends?

All fired up

■ The latest crackdown from the Philippine department of the interior looks like it will put something of a dampener on New Year's celebrations – for law enforcers at least.

Filipinos are spirited party-goers and like to welcome in the New Year with a bang – specifically, by firing volleys of bullets into the heavens. With 500,000 civilian gun owners ready to let rip, stray bullets are a real danger.

Law enforcers, themselves not immune to these seasonal temptations, have been singled out by Robert Barbers, the interior and local government minister. He has issued a stiff warning to policemen, fire and prison officers: "Fire your guns and get fired."

One local diplomat nevertheless plans on keeping a low profile over the New Year celebrations: "Filipinos love guns and they love making noise. At New Year, they come together in a rather dangerous combination. It's best to avoid balconies and high buildings."

Foaming lesson

■ In the Czech-American tussle over the Budweiser trademark, Anheuser-Busch has all the legal and financial muscle. But Budějovický Budvar, the little south Bohemian brewery that has exclusive rights to the name in key European markets, has all the history.

Ceské Budějovice, Budvar's home town, was once called Budweis, after all. There's more to it than that, though. At a recent press conference Budvar executives displayed a key piece of their marketing jigsaw – two plaques that add a little context to the fuss over the name.

One plaque shows Christopher Columbus sailing to America. The other has him kneeling in grateful thanks on his arrival, while behind him sailors huff and puff as they roll out their gift for the natives – barrels of beer. Budweiser, of course.

Sip it slowly

■ A quiet New Year is on the cards for Boris Yeltsin, according to his wife Naina.

The Russian President will be dispensing with one tradition – and will not dress up as a cotton-wool bearded Father Christmas to hand out presents to his children and grandchildren.

Yeltsin, who hit the world's headlines when he did some fancy dancing during his election campaign earlier this year, has since undergone major heart surgery. So he is taking things easier and plans to usher in 1997 quietly in his Moscow residence, with his two daughters, their husbands, and his four grandchildren.

But some traditions will be adhered to. "For the past 40 years we have got a Christmas tree in and put the presents under it," said Naina Yeltsin. "Clearly, we can't do that without champagne."

Nice to see that he gets his priorities right.

The Financial Times

100 years ago

American Banking Troubles
The banking troubles in America are unfortunately spreading, the suspension of another Chicago establishment – the Atlas National Bank – being reported yesterday. It is stated that the deposits in this bank, which a year ago amounted to upwards of three million dollars, had dwindled down by Saturday last to about \$800,000. It appears, however, that the remaining depositors will not suffer any pecuniary loss, as they are to be paid in full on demand, the sum being advanced by the Clearing House. The suicide of Mr. Wasmansdorff, the banker whose failure was announced recently, lends an additional touch of gloom to the situation.

50 years ago

Italy Seeks \$ Credits
Italy has applied to the Export-Import Bank (a U.S. Government agency) for a \$5,000,000 loan to finance tobacco purchases in the U.S., American officials disclosed yesterday. Italy is expected also to apply to the Bank for a \$17,000,000 loan for the purchase of American cotton.

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India poised for $9bn finance sector merger

By Tony Tassell in Bombay

Two of India's leading financial institutions are likely to merge to create a group with combined assets of more than Rs336bn ($9.3bn).

The boards of Industrial Credit and Investment Corp of India, the development financial institution, and its smaller associate Shipping Credit and Investment Corp of India, said on Friday they would meet tomorrow to consider a merger.

Analysts said a merger would reflect the increasingly competitive fund-raising environment for Indian financial institutions. This follows economic liberalisation over the past five years and a narrowing of the differences between the two companies' operations.

ICICI had an asset base of Rs269bn on September 30; SCICI had Rs66.7bn. Industrial Development Bank of India, the market leader, has assets of about Rs470bn.

Mr K.V. Kamath, managing director of ICICI, said the merger would provide "the required critical mass to operate in the rapidly-changing marketplace".

ICICI set up SCICI, in which it holds a 20 per cent stake, in 1986 when the Indian government was giving the shipping industry concessions. SCICI initially focused on providing equity and debt finance to shipping and fishing companies. However, its current exposure to the shipping industry is only about 27 per cent.

The diversification meant SCICI and ICICI were often serving the same clients and competing for funds. "The line of difference between the two institutions had become very fine," one analyst said, adding that it was increasingly difficult for SCICI to raise funds at competitive rates.

Analysts said the greater critical mass of the combined institutions would allow ICICI to strike larger fund-raising deals on the international market at better rates.

There was also scope to exploit synergies between the two. ICICI has a workforce of about 1,200; SCICI about 160.

ICICI also has stakes in Credit Rating Information Service of India, the mortgage provider Housing Development Finance Corp, a stockbroking joint venture with JP Morgan, an asset management company and the small-cap stock exchange Over the Counter Exchange of India.

ICICI made a net profit of Rs3.9bn in the year to March; SCICI's net profit for the same period was Rs1.4bn.

Hong Kong deputy chief to stay after Chinese takeover

By John Ridding in Hong Kong

Mrs Anson Chan, the popular head of Hong Kong's civil service, has agreed to stay in office under Mr Tung Chee-hwa, who will take over as the territory's first post-colonial governor next July.

The "dream team" of Mr Tung and Mrs Chan – combining the shipping tycoon's business background and mainland connections with Mrs Chan's popularity and knowledge of the territory's government – was welcomed by business and political leaders as a sign of stability in the civil service. This is seen as vital in maintaining an efficient administration and resisting corruption after transition to China's control.

Mrs Chan, a civil servant for 34 years and now number two to the governor, Mr Chris Patten, has a reputation as an able administrator. In opinion polls she was the public's choice for governor after the handover, but her close ties to the British colonial administration deprived her of Beijing's backing and she declined to be a candidate.

In an attempt to ease fears that senior officials will face loyalty tests during transition, Mr Tung vowed to retain a politically neutral civil service. "Whether it is her [Mrs Chan] or the 180,000 civil servants, maintaining political neutrality is very important, and I will respect that," he said.

Concerns have been fuelled by a row over China's plan to replace the existing elected legislature with a Beijing-backed body. Mrs Chan and several other senior government officials have firmly opposed the so-called provisional legislature. Mr Tung is committed to the new body and has sought, without success, to persuade Mr Patten to co-operate with it.

Mr Tung's statement at the weekend marks an attempt to reassure civil servants that their views on the provisional legislature will not be held against them. It was backed by comments from Chinese officials in Hong Kong that senior civil servants will not have to express opinions on the body.

Mr Tung has signalled that he will move quickly to select members of his administration after meeting the 24 policy secretaries in the present government this week. But while he has indicated that he seeks stability, certain areas provide problems. In particular, senior officials in the security branch are pushing through legislation on subversion which is opposed by China.

Another proposal, which is being opposed by Mr Donald Tsang, the financial secretary, would call for increased government backing for industry.

Demands eased in Peru hostage drama

Continued from Page 1

prison conditions in an attempt to resolve "the drama which relatives of our jailed comrades have lived through for years".

Japanese citizens still held captive pleaded with their prime minister yesterday to find a quick end to the stand-off, claiming their situation was becoming more dangerous. Their plea was contained in a letter to Mr Ryutaro Hashimoto, carried out by nine Japanese hostages released earlier.

Saturday's communiqué from the rebels again distinguished between the "irrational violence" of the Maoist guerrilla group Sendero Luminoso (Shining Path) and the MRTA's "respect for the civilian population", although the group admitted to having carried out selective killings and "open combat" with state security forces.

The conciliatory tone of the statement may indicate that the MRTA will eventually seek to become a legitimate political party.

The MRTA emerged as a revolutionary force in 1982 from a growing frustration with political alternatives. Mr Cerpa Cartolini, the main MRTA figure still at large, traces his militancy back to 1979 when, as a labour leader, he witnessed the violent death of six fellow workers as police stormed a textile factory to break a siege.

"Then we had only sticks and stones, now we have weapons and prisoners," he said in an interview hours after leading the attack on the ambassador's residence.

In its early days MRTA concentrated on robbing banks and taking over radio stations to broadcast propaganda.

Bulgarian Socialists in struggle to find new leader

By Theodor Troev

Bulgaria's ruling Socialist party will this week try to construct a replacement government following the resignation of Mr Zhan Videnov, the prime minister, and his cabinet.

At an extraordinary session on Saturday, parliament voted by an overwhelming majority to accept Mr Videnov's resignation. His cabinet will remain in power until the formation of a new government.

Mr Videnov tendered his resignation as prime minister and party leader at a Socialist congress on December 21. That move was seen as an attempt to disorientate party dissidents who had criticised his government's failure to implement reforms despite severe economic problems. More than half the Socialist party's deputies later signed a petition backing Mr Videnov.

Now the party must come up with a candidate for prime minister to prevent the opposition Union of Democratic Forces benefiting from the power vacuum. The Socialists are expected to name a candidate on January 3, in the face of opposition protests.

Mr Videnov's resignation has intensified the power struggle within the Socialist party, which is divided between social democrats and supporters of a powerful centralised state.

Mr Georgi Parvanov, a supporter of Mr Videnov, replaced him as party leader last week but said he had no ambition to take over as prime minister. Instead, Mr Georgi Pirinski, former foreign minister, and Mr Nikolai Dobrev, interior minister, are seen as the main candidates to head a new government.

Mr Pirinski, a US-born reformist, who is supported by the social democratic wing, resigned last month as foreign minister, saying Mr Videnov's government did not have the support it needed to carry out tough economic reforms.

Mr Dobrev, who is seen as a pragmatist, has called for tighter fiscal discipline and a crackdown on corruption. He led the attack on Mr Videnov at the special party congress last week and his strong performance is believed to have turned the congress against the prime minister.

Under Mr Videnov's government, which came to power two years ago, Bulgaria suffered a run on the banks and a collapse in the currency from 70 lev to the dollar last January to 560 lev this month.

Bulgaria is under pressure from the International Monetary Fund to introduce a currency board regime in February in a last effort to avert hyper-inflation.

THE LEX COLUMN

Risky business

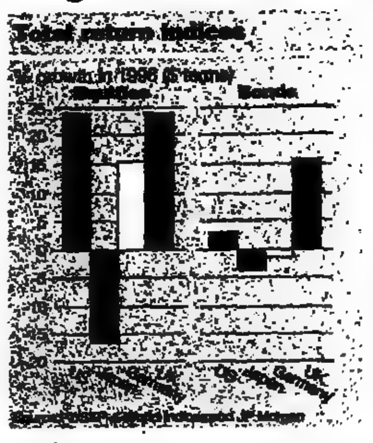
Investors are likely to find 1997 a year of high risks and frugal rewards. This is not because threatening economic shoals lie ahead. Far from it, the outlook is benign. The International Monetary Fund is forecasting 2.5 per cent growth and 2.4 per cent inflation for industrial countries. There seems little prospect of sharply rising interest rates or recession.

The risks lie rather in the fact that many equity markets recently reached record highs and valuations are stretched. Most worryingly, there are signs of the "irrational exuberance" so famously invoked by Mr Alan Greenspan, chairman of the US Federal Reserve.

Many investors are starting to look on equity markets as riskless money machines. This is most evident on Wall Street. The S&P 500 index has risen an astonishing 65 per cent over the past two years – building on an already well established bull market. The dividend yield at under 2 per cent is the lowest this century and the ratio of market values to the replacement cost of assets is the highest recorded.

Retail clients have bought into the market at an unprecedented rate, sometimes borrowing to do so. These are the symptoms of a market overheating, and they colour the outlook for equities more generally. If Wall Street stumbles, others will follow.

While bonds are less precariously placed than equities – Treasuries, in fact, slipped somewhat over 1996 – it is still difficult to get enthusiastic. The risk in most leading economies is of higher, not lower, interest rates. For these reasons, 1997 promises to be fraught, with the safety of cash an attractive defensive bet.



Equities

It is easier to predict a correction on Wall Street than the precise timing. The catalyst could be a strong growth surprise, followed by higher interest rates. Alternatively, rising wages in response to the tighter labour market could hold back corporate earnings.

Japan, the only big market to fall this year, faces a different challenge. In the long run, the Hashimoto government's measures, albeit timid, to deregulate the economy should be good for shares. But as the Nikkei's decline last week shows, the more immediate danger is that a tighter fiscal policy will snuff out the nascent recovery. Private-sector demand still looks too weak to fill the gap left by falling government spending. If the economy stalls, corporate earnings will sag – hardly a propitious backdrop for shares.

In Europe, the best hope lies with Germany. The weaker D-Mark and the possibility of another cut in rates should help shares. These gains will be underpinned by the momentum gathering behind deregulation and corporate restructuring. The concept of shareholder value is taking hold.

The outlook in France is less auspicious. At 20 times next year's earnings, French shares are the most expensive in Europe. Efforts at corporate restructuring are also hamstrung by high unemployment which makes job cuts difficult.

Shares in London offer better value, with the longer-term supply-side policies of the Thatcher years now bearing fruit. But the market faces some significant obstacles: one is the prospect of higher interest rates before long; another is the strength of sterling, which will depress many companies' profits. The strong likelihood of the first Labour government in 18 years also introduces an element of uncertainty, although Labour leader Mr Tony Blair appears less of a threat to the market than his predecessors.

Further afield, 1997 may be a good year for Hong Kong. China has a powerful interest in ensuring that confidence is maintained through the handover; a buoyant stock market would serve this cause. The buoyant property market, traditionally a reliable weather-vane of flourishing animal spirits, augurs well. It may also be a year to play emerging markets: Asia and Latin America are still more than 20 per cent off their 1994 peaks following two subdued years.

Bonds

Bond markets are less vulnerable than shares, but not especially appealing. Inflation looks set to remain subdued in the US, which should help Treasuries. But with 10-year yields only 6.3 per cent, the upside potential is modest – particularly as labour markets remain tight, fuelling periodic jitters about incipient inflation. Indeed, the most dangerous scenario for Treasuries will be if the view takes hold that the Fed is being soft on inflation.

The greater risk, however, lies in Germany, where short and long rates could well move in opposite directions. While short rates may fall further, the imminent demise of the Bundesbank, assuming economic and monetary union goes ahead as planned, coupled with the view that the euro will be a softer currency than the D-Mark, is likely to hang like a dark cloud over the bond market. Yields, therefore, will probably creep higher, causing the Treasury-bund spread to narrow from its current 60 basis points.

Japanese bonds also fail to entice. At 2¾ per cent, 10-year yields have already fallen to unappetising levels. And with short rates so low already, the risks all look to be stacked on the upside.

UK government bonds – gilts – are a more tantalising prospect. Fundamentally, with 10-year yields at 7½ per cent, they offer better value than many other European markets which rallied strongly this year. But with a general election and higher interest rates possible, they could get cheaper still.

Currencies

Currency fluctuations are unlikely to become a big factor. The political consensus in favour of a strong dollar, allied to a weaker yen and D-Mark, remains. But given the extent of the dollar's rally to date, only modest further gains seem likely. The biggest risk lies in an Emu-related setback, prompting a rush into the D-Mark. Sterling, like the dollar, has already enjoyed most of its rally; but a positive growth outlook and its status as a safe haven in the event of any Emu ructions should allow further gains.

In all, 1997 looks like a year in which it will be easier to lose money than make it. Investors who preserve capital will at least live to fight another day.

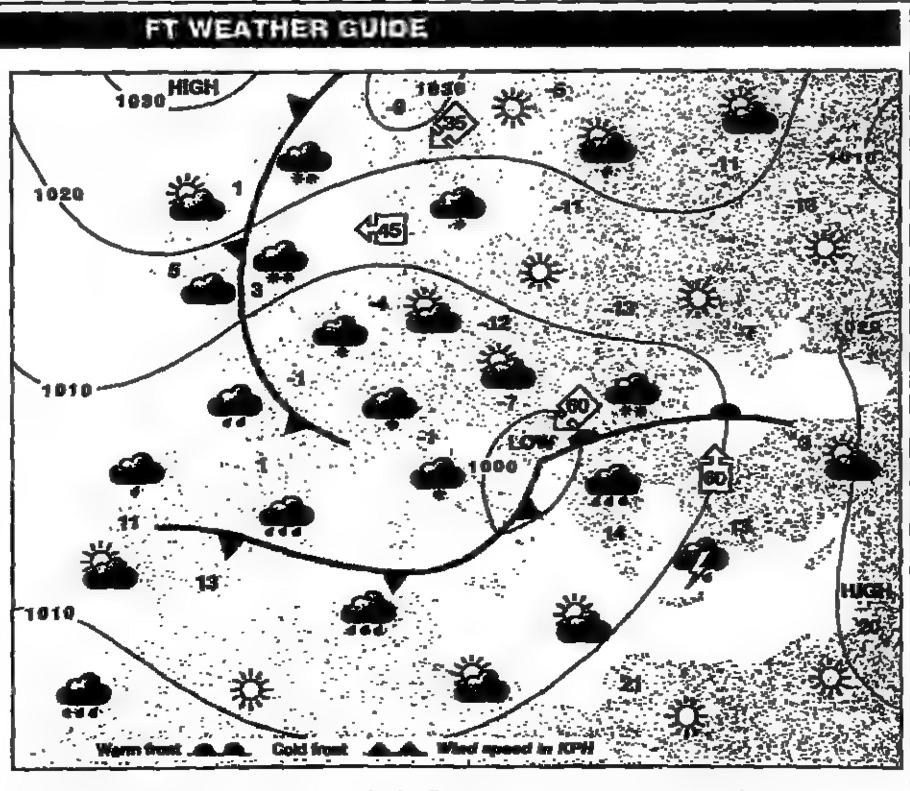
FT WEATHER GUIDE

Europe today

Europe will remain cold and wintry as high pressure in the north maintains a cold easterly air flow. A few weak low pressure areas will cause cloud and light snow in the low countries and northern France. Low pressure over the Adriatic will produce rain in the Balkans and Greece. Maximum temperatures will stay below freezing in most places and will be below -10C over the former Soviet Union. Temperatures over the south-eastern Mediterranean will exceed 10C.

Five-day forecast

Wintry conditions will persist in most of Europe as high pressure over northern Scandinavia draws very cold air over most of the continent. Low pressure will promote abundant cloud and rain near the Mediterranean.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius	
Abu Dhabi	fair	24
Accra	shower	31
Algiers	rain	16
Amsterdam	snow	0
Athens	shower	15
Atlanta	cloudy	24
B. Aires	fair	31
B.ham	cloudy	2
Bangkok	fair	32
Barcelona	rain	9
Beijing	sleet	5
Belfast	fair	4
Belgrade	snow	-6
Berlin	cloudy	-8
Bermuda	fair	23
Bogota	fair	21
Bombay	sun	33
Brussels	fair	0
Budapest	snow	-7
C.hagen	snow	-1
Cairo	fair	21
Cape Town	shower	30
Caracas	shower	27
Cardiff	fair	4
Casablanca	rain	17
Chicago	sleet	3
Cologne	snow	-1
Dakar	fair	26
Dallas	sun	25
Delhi	sun	24
Dubai	fair	24
Dublin	fair	4
Dubrovnik	rain	8
Edinburgh	snow	4
Faro	shower	15
Frankfurt	snow	-4
Geneva	cloudy	-1
Gibraltar	shower	14
Glasgow	cloudy	3
Hamburg	cloudy	-4
Helsinki	snow	-5
Hong Kong	fair	22
Honolulu	fair	27
Istanbul	shower	12
Jakarta	shower	30
Jersey	fair	2
Karachi	sun	27
Kuwait	fair	25
L. Angeles	rain	17
Las Palmas	fair	21
Lima	fair	23
Lisbon	shower	11
London	cloudy	3
Lux.bourg	snow	-4
Lyon	snow	-3
Madeira	shower	19
Madrid	rain	4
Majorca	shower	11
Malta	fair	16
Manchester	fair	3
Manila	shower	31
Melbourne	fair	23
Mexico City	cloudy	22
Miami	fair	27
Milan	fair	-2
Montreal	snow	-10
Moscow	cloudy	-10
Munich	cloudy	-10
Nairobi	fair	26
Naples	shower	10
Nassau	sun	26
New York	rain	7
Nice	fair	10
Nicosia	rain	19
Oslo	fair	-1
Paris	snow	-1
Perth	sun	37
Prague	fair	-12
Rangoon	fair	32
Reykjavik	sleet	4
Rio	shower	29
Rome	fair	10
S. Frsco	rain	15
Seoul	fair	6
Singapore	thund	30
Stockholm	snow	-3
Strasbourg	snow	-7
Sydney	shower	23
Tangier	rain	16
Tel Aviv	fair	19
Tokyo	fair	12
Toronto	snow	-10
Vancouver	rain	7
Venice	fair	0
Vienna	fair	-9
Warsaw	cloudy	-11
Washington	cloudy	8
Wellington	rain	21
Winnipeg	snow	-20
Zurich	cloudy	-6

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FINANCIAL TIMES
COMPANIES & MARKETS

Monday December 30 1996

Flemings' research to target emerging markets

By John Gapper, Banking Editor

Flemings, the investment banking group that includes Robert Fleming in London and Jardine Fleming in Hong Kong, is to launch its first global research initiative aimed at fund managers investing in emerging markets.

Flemings, which has invested $1m in a new database, says it will be the first investment bank to provide monthly figures on earnings *and other financial statistics* for 500 emerging markets companies.

The move is part of a broader effort to bring together the resources of different companies in the Flemings group, which worldwide employs about 180 analysts covering 2,500 emerging markets shares.

Until now, Robert Fleming and Jardine Fleming, which the former owns 50-50 with the Hong Kong trading company Jardine Matheson, have tended to operate independently. The two are now trying to work more closely together.

The move has been given impetus by the recent upset at Jardine Fleming's fund management arm, at which profitable trades were found to have been diverted into the personal account of Mr Colin Armstrong, its chief investment officer.

Headed by Mr Laurence Heyworth, head of research at Robert Fleming, and Mr John Donald, his counterpart at Jardine Fleming, the initiative also involves Fleming Martin, the South African broker.

An earnings book for the 500 companies and a weekly guide to about 400 funds investing in emerging markets economies and industrial sectors will be among the research products for fund managers investing in emerging markets.

Mr Heyworth said Flemings believed it was one of the few investment banks capable of producing such material since it had a stronger network of analysts in emerging markets than the large US investment banks.

"Our philosophy is that you have to have your feet on the ground in these countries. They are high risk economies, and armchair strategy that simply surveys these markets from top down can be rather dangerous," he said.

Mr Heyworth said the initiative was in response to the fact that emerging markets were grouped together as a single asset class by many fund managers, who wanted to have an overview comparing similar companies across economies.

*He said the costs and reve*nues from the effort were being spread across the group. The different research arms would co-operate to draw together research in a comparable format for global publication.

Outstanding year for new issuance as a record 867 companies raise $50bn

US equities boost European groups

By Lisa Bransten in New York

European companies reaped a windfall from US equity markets this year, raising $6.1bn in new capital as 38 issued shares to investors for the first time.

The year was an outstanding one in general for new issuance on the US equity markets as a record 867 companies raised $50bn through the middle of this month, according to Securities Data, the Wall Street research firm. More than a fifth of that money was taken in by the 98 international companies that issued shares in the US for the first time, helping international issuance easily beat the records of 60 companies raising $6.6bn set in 1993. But while most of the new international offerings in 1993 came from Latin American, indeed mostly from Mexican companies, this year international offerings came primarily from western Europe.

In both years privatisations played a large part in the rise. The largest non-US offering of this year came from the German government as it sold a big piece of telecommunications monopoly Deutsche Telekom on the US market, raising $1.6bn of the total $13.5bn international deal from US investors.

After Deutsche Telekom, the second-largest international IPO in the US came as Italy's Fiat spun its Dutch farm equipment division, New Holland, off to investors, raising nearly three-quarters of the $1bn deal on Wall Street.

Another large international deal was the flotation of Scania, the fourth-largest truck maker in the world, by Investor, the main investment arm of Sweden's Wallenberg industrial empire, as part of an effort to reduce the Wallenbergs' reliance on cyclical businesses. Of the total $2.7bn raised by Scania, $338m came from US investors.

Mr Richard Kauffman, the managing director of equity capital markets at Morgan Stanley, believes the pressures behind the large amount of European issuance should lead to a continuation of the trend.

"In Europe you have corporations that are seeking to clarify their portfolios and reallocate assets, and there is an increasing emphasis on shareholder value," he said. "The combination of those two pressures can lead to a need to raise new capital and gives rise to other kinds of activities like spin-offs and IPOs."

Returns may prove to be one area of concern. While the average IPO in the US is up about 20 per cent, according to Rennaissance Capital, an IPO research firm based in Greenwich, Connecticut, most of the big international offerings were below their offering price by the middle of December.

Even Deutsche Telekom, which was above its offer price, had returned just 9 per cent.

Japan's pensioners tempt fund managers

Richard Lapper reports on the race for a foothold in a newly deregulated market

The battle to manage Japanese pension funds, one of the world's biggest pools of capital, is intensifying.

Deregulation of the Y240,000bn ($2,079bn) pension fund system has accelerated this year, triggering fierce competition between the domestic banks and life insurance companies, which have historically monopolised the business, and a string of newcomers.

The fund management arms of Japan's big four securities houses – Nomura, Nikko, Daiwa and Yamaichi – are making most progress, but overseas groups such as Mercury Asset Management (MAM), the UK fund management group, are also making inroads.

Mr Clifford Shaw, the president of MAM in Tokyo, says many Japanese companies are overcoming their initial reluctance to award pension mandates to foreign groups. "The number of foreign managers with their names on the scoreboard has risen dramatically," he says.

Traditionally, Japan's corporate pension funds – the fastest growing area with about Y40,000bn under management – have been obliged to direct funds to the so-called "general accounts" of giant life companies and trust banks run along very conservative and tightly controlled lines.

A gradual liberalisation, part of a broader deregulation of the Japanese financial sector, has been under way since 1990 but accelerated this year. Since April corporate pension funds could place up to half their funds with the new "independent" groups.

Rules governing how much can be directed towards equities and foreign securities have been relaxed, strengthening the hand of independents, which tend to be stronger in these markets.

By this month, 358 of the country's 1,880 corporate pension funds had awarded contracts to independent managers, giving them an estimated 7 per cent of the market compared with 0.6 per cent in 1990 and 2.7 per cent in 1993.

Even though commissions average only about 0.2 per cent of the amount under management, such are the scale of Japanese funds that potential revenues are significant. Further opportunities have been created by the first signs of deregulation of the Y150,000bn plus public pension system.

In April, Nempuku, the pension welfare service public corporation which manages about Y23,000bn, contracted out some Y3,800bn to independent managers. Life companies reported a record net outflow of Y5,800bn of group pension fund assets in the second quarter of 1996.

The biggest beneficiaries have been the "big four" Japanese securities houses, which have seized on the pension market as an important source of new revenue.

Mr Darrel Whitten, director of research at Lehman Brothers in Tokyo, says that between March 1995 and last October the big four increased the corporate pension contracts they manage by 85.4 per cent to Y890bn.

Mr Luke Nobuo Katayama, director of Japanese pension fund investment at Nomura Investment Management (Nimco), says this year "has been the busiest so far".

Mr Katayama says Nimco has been bidding for up to 10 mandates a week from company pension funds.

But *foreign* groups are also winning business. Mr Shaw at MAM says corporates are increasingly prepared to hand business to foreign companies, partly because of their expertise in managing overseas assets.

"In the early days the mandates were quite small. We might get a Y1bn a year. Now people are moving reasonable sums of money around," he says. He estimates that foreign companies have about 150 mandates, more than triple the level of 18 months ago.

Mercury, Schroders, Jardine Fleming and Deutsche Morgan Grenfell all have a substantial presence in the market, while Hill Samuel Asset Management, the fund management arm of Lloyds TSB, has had an alliance with Dai-Ichi Kangyo Bank for more than five years. The fund management arms of US investment banks such as Morgan Stanley and Goldman Sachs have also won some big contracts.

The opportunities seem certain to increase. Japan's population is ageing at a faster rate than that of any advanced industrial economy and many private pension funds, faced with chronic funding shortages, are under pressure to increase returns.

According to Mr Noriyuki Morimoto, director of Watson Wyatt in Tokyo, the actuaries and pension consultants, private schemes are underfunded to the tune of 40 per cent.

These problems have been highlighted by the collapse *of five of Japan's 1,800* private or corporate pension schemes in two years.

Life companies and trust banks have made poor returns on their investments. In a recent research note, Nikko Europe reported that between 1986 and 1995 Japanese private pension fund managers sharply underperformed their international counterparts. Their annual average rate of return was 5.9 per cent, compared with 10.9 per cent achieved by US managers over the same period.

This year life companies reduced the minimum return guaranteed to the pension funds they manage from 4.5 per cent to 2.5 per cent, making it tougher for pension funds to meet the 5.5 per cent legal minimum return on investments.

Moreover, the pace of reform is set to increase. Next spring, pension fund managers will be forced to account for their assets at market rather than historic cost, forcing them to look more closely at the foreign securities and domestic equity markets.

In 1999, independent managers will be free to bid to manage all the assets of a corporate pension fund. Mr David Sachon, managing director of global business development at Hill Samuel Asset Management in London, says many US groups have only just begun to see the potential.

"Japan is going to be a very substantial market for the international pension fund industry. I am sure the competition is going to hot up," he says.

INSIDE

Teva

Teva Pharmaceuticals, Israel's largest pharmaceuticals company, said it expected UK approval for marketing of Copaxone, its multiple sclerosis drug, during 1997, a decision which would allow it to penetrate European markets. Page 17

Oriental Press

Oriental Press, one of Hong Kong's biggest magazine and newspaper publishers, unveiled a 78.3 per cent slump in net profits from HK$138.23m in the half to September 1995 to HK$30.06m (US$3.88m) in the same period this year. Page 17

Putzmeister

Putzmeister, the privately owned German group that makes specialist pumps for handling concrete on construction sites, plans to go public at a valuation estimated at DM350m ($225m). Page 17

BSkyB

The UK's largest cable companies hope to open *talks with British Sky* Broadcasting early in the new year to try to persuade the satellite television venture to offer "*fairer*" terms of trade. They failed earlier this year to persuade the Office of Fair Trading that BSkyB had been abusing its dominant market position.
Page 16

Global Investor

Peter Martin tries to get inside the head of Alan Greenspan, chairman of the US Federal Reserve.
Page 18

International Equities

A surge in equity issuance in continental Europe has underpinned strong growth this year in the international new issue market. Overall new international equity issuance has risen more than 46 per cent in 1996.
Page 18

New Hanson plans US expansion

By Paul Adams in London

New Hanson will be seeking expansion in the US as the key to growth in its core buildings business after the final demerging of the Hanson group, Mr Andrew Dougal, chief executive, said at the weekend.

Meanwhile, Energy Group, the company yet to *be spun-off*, has cleared funding of up to £700m ($1.17bn) for acquisitions, mainly in the US.

The fall in Hanson's shares since the demerger of two other groups this year has reflected investors' concerns about the US side of both its *buildings* and energy businesses.

Mr Dougal said: "We are *looking for smaller bolt-on* acquisitions for New Hanson in the US but no major new businesses. We are very excited about the opportunities in the US. The size of the market and its fragmentation provide a lot of *scope*."

Hanson is number three in building materials and equipment in the US with a market share of 4 per cent. But Mr Dougal pointed out that the biggest operator had only about 7 per cent.

"Local market shares are more *important* than national and we have strengths in some of the fastest growing states in the US," he said.

"The overall plan is to invest in improving long-term cash flow. New management has already made progress in the past 12 months, but there are opportunities *to reduce costs fur*ther in Cornerstone, our aggregates business, and Grove, the crane supplier."

Mr Dougal denied the group had any plans to sell Spectrum, its US contracting business which had £600m ($1bn) turnover last year. *The Energy Group has con*cluded a £1.1bn factoring deal with its banks to fund acquisitions ahead of its demerger, due early next year. The group has an interest in eight power stations in the UK and the Peabody coal mining business in the US.

Mr Eric Anstee, who will *be finance director of the* demerged group, said: "We have £700m net to offset short-term borrowing".

He said that in his view the deal did not reduce net debt but gave the group more flexibility.

Natural disasters costing more, warns Munich Re

By Andrew Fisher in Frankfurt

Munich Reinsurance, the world's biggest insurance company, has warned that natural disasters are becoming costlier, despite this year's sharp decline from the record damage of 1995.

It said the number of catastrophes had risen five-fold since the 1960s, while damage to affected economies, allowing for inflation, had increased eight-fold and the cost to insurance companies was up 15 times.

In its year-end review of catastrophes affecting the insurance industry, Munich Re said the trend was due to growing concentrations of population in bigger cities, often sited in high-risk areas, and the greater susceptibility of modern industrial societies to damage to the infrastructure. Changes in climate and environment, with new extremes of temperature, rainfall and winds, also had a big impact, Munich Re said.

The damage caused by disasters this year totalled $60bn. This compared with $183bn in 1995, of which more than half was accounted for by the Kobe earthquake in Japan.

The cost to the insurance industry in 1996 was about $9bn, well down on the $15.7bn of 1995 and the $15bn of 1994. The peak pay-out year for catastrophes was 1992 at $24bn.

The number of natural disasters rose to a record of 600 in 1996 from 577 in 1995, *with storms and floods* accounting for more than half.

The main damage this year was caused in China by floods on the Yangtse river – which were the worst for 150 years. About 2,700 people died and 2m were made homeless. The damage was estimated at more than $20bn, of which only a small part, *some $400m*, was covered by insurance.

Severe floods also affected Korea, Vietnam, Thailand, Indonesia, India and Bangladesh.

The worst storm was Hurricane Fran, which caused more than $3bn worth of damage on the north-east coast of the US. Half was covered by insurance.

Typhoons in the northwest Pacific caused heavy damage in Taiwan, China, Vietnam and the Philippines. Many regions, especially the US, *suffered badly* from harsh winter weather such as blizzards and tornados.

Forest and bush fires broke out in many areas, mostly as a result of lengthy droughts.

COMPANIES AND FINANCE: UK

'Fairer terms' are sought from British Sky Broadcasting

Cable industry seeks talks

By Raymond Snoddy

The UK's largest cable companies hope to open talks with British Sky Broadcasting early in the new year to try to persuade the satellite television venture to offer "fairer" terms of trade.

The cable companies failed earlier this year to persuade the Office of Fair Trading that BSkyB had been abusing its dominant market position in the way that it acted as wholesaler of channels such as Sky Sport and Sky Movies.

The final blow seemed to come earlier this month when the OFT approved a revised rate card governing the supply of BSkyB channels to the cable operators.

Until now the cable companies have been forced to offer complete packages of channels to their subscribers.

Under the new rate card the cable companies can have greater flexibility in what they can offer, but only if they compensate BSkyB on a pro rata basis.

At the time the Cable Communications Association, the industry trade body, said that the new rate card would require "the majority, if not all, cable television subscribers to pay for BSkyB services regardless of whether they want them or not".

The cable industry has not ruled out seeking a judicial review of the OFT decision and pursuing the issue in Brussels, a course of action that could take a long time to resolve.

In the meantime the largest cable companies have decided to approach BSkyB to see whether it can be persuaded "voluntarily" to do something to improve the increasingly strained relations with the cable industry.

The cable companies such as TeleWest and Nynex will argue that a flourishing cable industry able to sell more cable television subscriptions is in BSkyB's long-term interest.

Cable is important to BSkyB's business and accounts for more than 1.7m of the satellite group's more than 5m subscribers.

But BSkyB prefers to sell its service to dish owners and avoid having to pay the cable "middlemen".

It is far from clear whether BSkyB, having escaped significant intervention from the OFT, will give away very much to the cable companies on a voluntary basis.

Farewell junior, and thanks

Christopher Price charts the rise and fall of the Unlisted Securities Market, which ceases trading tomorrow

After 16 years, hundreds of companies and more than £1bn raised, the Unlisted Securities Market finally ceases trading at close of business tomorrow.

The demise of the junior market was signalled by the stock exchange as long ago as 1993. It has limped on for so long due to the time taken to conceive and establish a viable replacement. The arrival of the Alternative Investment Market 18 months ago finally marked the beginning of the end for the UK's first official smaller companies market.

No new companies have been admitted to the USM since the end of 1994. It then had 207 members, which has since been whittled down to fewer than 30 by this week.

The USM was launched in 1980, following a stock exchange report which highlighted the potential "capital gap" facing companies which were too small for a listing but which did not want to rely on banking or venture capital facilities.

It was the first time a separate smaller companies market had been conceived. "The USM was the first recognition of the importance of the smaller companies sector," says Mr Geoff Douglas, an analyst at BZW. "It focused investor, adviser and company attention on the importance of that end of the market."

With less onerous rules than the main list, the USM attracted hundreds of companies during the 1980s and led to the development of specific smaller company funds and tracker indices.

At its peak in 1989, it had 448 members with a market value of nearly £9bn.

However, it then went into decline for a number of reasons. The demise of the Third Market, which had lower entry requirements than the USM, sounded an early warning of the vulnerability of smaller companies markets to a drop in confidence. The Third Market never caught the imagination of investors, particularly in the wake of the stock market crash of 1987, and was rolled into the USM in 1990.

The recession, which began to bite at the start of the 1990s, also began to unhinge investor confidence in the USM. Rising interest rates and falling economic activity had a more severe affect on smaller companies which were less able to withstand the volatility.

Finally, rule changes in 1991, which brought the junior market more in line with those of the main list, blurred the distinction between the two markets. Faced with a choice of joining either the main list or the USM, companies increasingly chose the one which retained the full confidence of investors.

The consequences were quick to show. From raising £306m in 1988, USM companies USM raised £45m in 1990, and just £11.6m in 1991. The fall-off in business was reflected in the number of brokers and marketmakers attending the USM, which also fell sharply by the early 1990s.

However, despite the decline, the exchange's decision early in 1993 to kill off the USM was met with widespread concern from many market participants.

The USM's life was extended to take in entrants to the end of 1994, while the exchange considered options for an alternative. The only one at the time was rule 4.2, which allowed unquoted companies to raise finance and trade shares under stock exchange rules.

Aim was the answer. It has much laxer entry requirements than either the USM or the main list and has so far managed to attract members while maintaining confidence.

However, part of its success has been due to the exchange ending the 4.2 rule, leaving the hundred or so companies using it with no choice but to join Aim.

The new market has also prospered in the healthy conditions of a bull stock market: some analysts believe it has yet to face the crucial test of a severe market downturn.

Since the beginning of the year, the 200 or so remaining USM companies have been slowly drifting away, with the majority moving to the full list. Thirty remain, and all have made new listing arrangements.

While few people are likely to miss the market, its legacy remains. "Without the USM, the smaller companies market would not have developed in the way it has," says Mr Douglas.

NEWS DIGEST

Hardy comes to Aim at 145p

Hardy Underwriting Group, the Lloyd's insurance company, will be valued at £10.65m when its shares start trading on the Alternative Investment Market this morning at a price of 145p.

Admittance to Aim, the unregulated market for small companies, also seals HUG's acquisition of Hardy (Underwriting Agencies), a managing agent for syndicate 382, a Lloyd's syndicate which specialises in helicopter and aviation insurance.

That deal, coming after two other measures designed to increase HUG's Lloyd's capacity earlier this year, means that HUG has effectively turned itself into a small insurance company which acts as a Lloyd's name and also invests in equities and other instruments.

"Listing on Aim brings a vital ingredient by allowing liquidity, valuation and public exposure," said Mr Peter Hardy, the chief executive who owns 29 per cent of the company. As a result of changes earlier this year, Hardy will provide up to £16m capacity for the 1997 year of account, representing about one quarter of syndicate 382's capacity.

Since being created in 1975, syndicate 382 has produced an average annual profit of 29 per cent of actual premium written, a return which is considerably better than that for the Lloyd's market, according to Hardy's figures.

Michael Lindemann

James Fisher purchase

Shareholders of James Fisher, the shipping group, have approved the proposal to buy P&O Tankships for a total £38.8m. It will pay the P&O group £19.2m in cash and take over £19.6m of P&O Tankships' debts.

James Fisher is raising £27.4m in a one-for-one rights issue to repay bridging finance for the acquisition and to repay some of P&O Tankships' indebtedness. The acquisition of the 17 clean petroleum tankers will double James Fisher's turnover and give it the largest petrol tanker fleet in the UK.

The deal, proposed in May, will be completed today. James Fisher said the acquisition was part of plans by Mr David Cobb to turn around the company since he took over as executive chairman three years ago. *Paul Adams*

Gen Cable in financing deal

General Cable, the cable operator, has announced a £77m sale and leaseback arrangement of fixed assets for Yorkshire Cable Group, its wholly owned subsidiary.

Mr David Miller, finance director of General Cable, said the deal was part of a £325m syndicated debt facility arranged by Chase Manhattan Bank and NatWest Markets to "provide cost effective financing for YCG".

The assets primarily consist of television and telephony electronics and associated equipment with a net book value of £73m on October 31. In accordance with accounting standards no profit will be reported on this transaction. The assets will be leased for 10 years, with an optional extension available. The facility has been arranged by NatWest Markets, Lombard Business Finance and Robert Fleming & Co.

Lamont sells Shaw Carpets

Lamont Holdings, the textiles group, has conditionally agreed to sell the Shaw Carpets' business to Broomco for £1m cash. Broomco is owned in part by several managers of Shaw.

هكذا من الأصل

Exporters hope deal signed in Baghdad yesterday will reopen the door to a lucrative market

Turkey signs contract to buy Iraqi oil

By John Barham in Ankara

Turkey is to import 75,000 barrels of oil a day from Iraq under a deal – the first with Iraq in six years – signed in Baghdad yesterday.

Turkish officials hope that the agreement will help cement strong commercial ties, which were broken by Iraq's invasion of Kuwait in 1990. State-owned oil refiner Tupras said it had signed an agreement with Iraqi state oil marketing body Somo, but did not disclose the price.

United Nations clearance on Monday for $2bn of Iraqi oil exports over six months paved the way for the deal with Turkey, one of the countries outside Iraq hit hardest by UN sanctions imposed on Baghdad after it invaded Kuwait.

Before sanctions, Iraq was Turkey's third largest trade partner and its largest oil supplier, selling crude through a pipeline from its Kirkuk oilfields to Turkey's southern Ceyhan terminal.

Mr Necmettin Erbakan, Turkey's Islamist prime minister, said "our relationship [with Iraq] has suffered because of this embargo. It has cost Turkey about $30bn".

President Saddam Hussein of Iraq yesterday pressed a button to start sending oil through a pipeline to the Ceyhan terminal.

Turkish exporters hope Iraq will once again blossom into a lucrative market, but many say that they would be happy with just a small slice of a bitterly competitive market.

Mr Latif Kesler, export manager at Fako, an Istanbul-based generic drugs company, said Iraq would only have about $220m to spend on drugs in the next six months, but competition was intense. Mr Kesler said countries such as India or Bulgaria were able to deliver products to Baghdad at prices Turkish companies could barely match.

"The problem is that Iraq is so in need that I am afraid that they might give up on the requirement for quality and go for lower prices and greater quantities," he said.

"I have seen prices in Baghdad which I have difficulty competing against."

Mr Ismail Oncel, general director at Istanbul's Biofarma pharmaceutical company, who participated in a trade fair in Baghdad over the summer, said: "Doctors and pharmacists attacked our stand. We could not stop them and on the first day 70 per cent of our samples were finished."

Nevertheless, Turkish exporters have not given up. Soapmaker Dalan Kimya hopes to sell between $2.8m and $3m in Iraq. Biofarma is aiming for $1.5m, 7-8 per cent of total sales.

At least one company, exhibition organisers Forum Fuarcilik, has already carved out a niche for itself in Baghdad. It organised two trade fairs in Baghdad this year and has a third lined up in February for Turkish exporters.

They are hoping Ankara will gain some commercial leverage over Baghdad because Iraq must export oil via Turkey's Mediterranean terminal at Ceyhan. Mr Kesler said if Turkey had contracted to buy all Iraq's oil "we would be able to impose our [conditions], but unfortunately all the oil has not been allocated to Turkey."

Turks also hoped proximity would give them an important advantage. However, exporters complain that Kurdish militias which control northern Iraq impose punitive customs dues on cargoes going by road to Baghdad. They also fear for the safety of their trucks.

However, exporters hope an arrangement will be hammered out soon, because the Kurds have a personal interest in the trade since the UN will distribute food and drugs in northern Iraq.

Corruption and influence peddling in Baghdad is also a problem. One exporter commented: "In Turkey we have a saying that a hungry man cannot afford integrity."

● Crude oil prices slipped in late trading yesterday – not so much on the news of Iraqi oil, but in response to figures which showed higher stock levels for the European Union, writes Deborah Hargreaves.

North Sea Brent crude for January delivery was down 46 cents at $23.64 a barrel, off the session low of $23.58 a barrel. Prices for products such as gas oil and heating oil slid as the EU reported a large build in distillate stocks.

Commodities, Page 24

Saddam Hussein speaks to reporters after pressing a button to start oil flowing from Kirkuk pumping station Reuter

UN sets up special account for oil-for-food transactions

Money from oil sales will only be released after border checks

By David Owen in Paris

The UN oil-for-food operation will be handled through an account at the New York branch of the Banque Nationale de Paris.

The account will be credited with the proceeds from Iraq's oil sales. The bank will issue letters of credit for the export of food, medical supplies and other approved items, such as parts for water treatment plants.

When Iraq applies to open a given letter of credit, the appropriate sum will be set aside in the account. These funds will only be unblocked when UN inspectors on the Iraqi border verify that the goods they have inspected correspond with the contract.

The UN has also contracted Lloyd's Register, a technical inspection and certification body headquartered in London, to check that goods arrive at the stipulated destinations inside Iraq.

While there are three permissible points of entry, observers expect most goods to enter Iraq via Jordan.

At the Iraqi border, goods will be handed to UN inspectors, probably on the Jordanian side. They will have 24 hours to inspect the cargo to check that it complies with their documentation. Exporters will not be paid until the goods are inspected at their entry point into Iraq.

The document detailing which goods are acceptable – the distribution plan – is the size of a weighty telephone directory.

Resolution 986 stipulates that, of the $2bn, $700m must go to war reparations while $1.3bn is available for food and medicine. About 80 per cent of this will be for food, mainly wheat, sugar, salt, lentils and tea.

Eight steps on the export road to Iraq

A company wishing to export goods to Iraq will have to do the following:

- Reach agreement with relevant Iraqi authority
- Secure certificate from national authorities in its own country confirming the goods and proposed delivery plan correspond with the contract
- The national authorities present this certificate to the UN in New York
- The UN approves the certificate and notifies BNP New York
- The Iraqi authorities are informed of what has happened
- At a time of their choosing, the Iraqi authorities send an application to open a letter of credit in respect of the transaction to BNP New York
- BNP informs the UN that the application has been received and asks if it can issue the letter
- The UN gives approval. The letter is issued and confirmed by BNP New York in favour of the exporting company's bank, clearing the way for the company to ship the goods

INTERNATIONAL NEWS DIGEST

Israelis light homes fuse

An Israeli planning committee yesterday approved plans to build a Jewish neighbourhood in an Arab section of East Jerusalem, a decision which could set Israelis and Palestinians on a collision course.

The plan to build 132 homes for Jews in the heart of Ras el-Amud, where 11,000 Palestinians live, still requires ministers' approval.

Palestinians and Israeli peace activists yesterday warned that implementing the plan could lead to a widespread protest.

In a public hearing this week, Ir Shalem, an Israeli organisation acting on behalf of Arab-Palestinian rights in Jerusalem, said the plan was illegal.

Mr Daniel Seidemann, legal adviser of Ir Shalem, said the movement would take the case to the supreme court if approved. He said Mr Benjamin Netanyahu, the Israeli prime minister, would "not be able to absolve himself of responsibility" if the plan was pushed through. A spokesman for Mr Netanyahu said the plan was at a very preliminary stage. *Avi Machlis, Jerusalem*

Rawlings heads for re-election

President Jerry Rawlings, who has dominated national life in Ghana for almost two decades, was within sight of a historic election victory yesterday as the first incumbent to be re-elected since independence in 1957. Only a late surge by Mr John Kufuor of the opposition's Great Alliance could force the race into a second round.

With results in from 139 of the 200 constituencies in Saturday's presidential and parliamentary elections, Mr Rawlings enjoyed a comfortable lead with 54 per cent of votes. Mr Kufuor had 43.7 per cent, according to the results from the National Election Commission. The third contender, Mr Edward Mahama of the People's National Convention, trailed with 2.3 per cent of votes.

Since independence from Britain, all Ghana's elected governments have been toppled before serving out their terms. In results so far in the parliamentary ballot, the president's National Democratic Congress party had 88 seats in the 200-seat assembly. The combined opposition had 61 seats.

The election commission put turnout at about 80 per cent in the elections praised by foreign poll observers as among the best organised in a region where logistics problems have marred voting in recent elections, often leading to violence. *Reuter, Accra*

Nigerians ring up big bills

State-run Nigerian Telecommunications (Nitel) was owed N19bn ($238m) at the end of September – mostly by private customers, it admitted yesterday. Mr Buba Bajoga, Nitel managing director, was quoted by the News Agency of Nigeria saying: "We are poised to recover the money from our debtors because this revenue is needed to improve on the performance of the organisation." Nigeria's telecommunications are notorious for unreliable service.

Customers often go through a slow and chaotic process to settle their phone bills, while touts tap into lines incurring large debts for their owners.

But the sector is gradually opening up to private enterprise. Nitel has signed inter-connectivity agreements with five companies and given them provisional licences, although they have yet to start operations. *Reuter, Lagos*

هكذا من الأصل

Global Investor / Peter Martin

Hey, Buddy, get real – I've seen the light

Me and Buddy were driving around in his pickup – the one with *"Honk if you're irrationally exuberant"* bumper sticker – when I had the Big Idea.

"Buddy," I said, absent-mindedly setting fire to a glove-compartment's worth of aggressive growth fund prospectuses. "I've seen the light".

'Course, where we come from that's pretty common. The woods are full of born-again aluminum-siding salesmen, all speaking in tongues or at least babbling about p/e multiples for Internet start-up companies. Buddy scarcely blinked. He didn't even bother to turn down the Bloomberg radio market update.

"I've never liked to pry into a person's religious affiliation," he said, automatically responding to a pager message that told him closing prices on Brady bonds.

"This isn't religion, Buddy," I said. "Unless you acknowledge Alan Greenspan as your personal saviour. No, what I mean is, 'I finally see what he was getting at'."

Buddy sighed. "He's a central banker, butt-head. If you think you understand him, you weren't paying attention."

He pulled into the outside lane, simultaneously using his cellular phone-cum-personal organiser to dial up the Fidelity website.

"Well, try this," I said. "He's saying that the more the markets shrug off prospects of a Federal Reserve tightening in 1997, the more likely they are to get one. And he won't let the possibility of a 1987-scale market drop put him off if he thinks that's the right thing to do."

Buddy wasn't listening. Instead, he'd been on his car phone, engaging in a spirited exchange on KASH-FM 100, the phone-in personal investing forum, with someone who seemed to think US stocks might be a tad over-valued.

"Wake up and smell the coffee," he mumbled irritably. "Don't these guys realise there's a corporate revolution under way? Where were they when the Dow hit 4,000? 5,000? 6,000? Saying: time for an itsy-bitsy correction, I bet. Pantywaists!"

"The US isn't the only market, Buddy," I said. "They're all looking a bit over-excited, even the ones that haven't got the shareholder value message as clearly as Mike Ovitz. OK, their economies are all likely to grow next year, even the euro-suicide gang, but that only makes the prospects of a nasty interest-rate surprise more likely."

'I bet you got that from your white-shoe friends at Morgan Stanley,' he sneered over his shoulder. 'Weren't they expecting a 1,000-point drop in the Dow this summer? Now they're talking up cash. Is that the approach to investing that made America what it is today?'

"Sometimes I don't know why I hang out with you," said Buddy in exasperation "Weren't you saying all this a year ago? And what happened?"

He riffled through a pile of 1996 print-outs from the in-car fax machine. All of them showed steeply rising lines. Buddy waved them in triumph, nearly colliding with a billboard for the Charles Schwab discount brokerage.

"And look at this chart: two of the big economies have had falling market p/e multiples this year. Even in the others, the numbers don't spell E-X-U-B-E-R-A-N-T. OK, the US has made it to a historic p/e of 20 or so – but that's after allowing for the effect of stock buy-backs on the arithmetic. Get real."

We pulled into his bank, which is now a drugstore too. There was a big sign on the facade: *Coming Soon – Drive-in Insurance, Stocks, Bonds, Mutual Funds.* Buddy hustled over to the teller machine and hit the button marked $1,000.

By the time he was back, I was ready for another try.

"Face it, Buddy, we're overdue for a big correction. The US market has dropped by 40 per cent or more every nine years this century."

Buddy was leaning on the pickup's fender, signing an application for another Visa card.

"I bet you got that from your white-shoe friends at Morgan Stanley," he sneered over his shoulder. "Weren't they expecting a 1,000-point drop in the Dow this summer? Now they're talking up cash. Is that the approach to investing that made America what it is today?"

I started to reply, but he'd lost patience. Prodding my chest with a Morningstar floppy disc, he breathed chilli-dog fumes in my face.

"Look at the big picture: no enemies, big US companies kicking butt all round the world, no inflation especially if you measure it properly, a wave of hot high-tech start-ups, baby-boomers saving for the first time. How can you say stocks are overvalued?"

"OK, Buddy," I said. "It's tough to argue with a bull right now. But all you're really saying is: this time it's different."

"Damn right," said Buddy fervently. "And you better believe it is."

■ INTERNATIONAL EQUITIES – By Richard Lapper

Continental Europe at head of the pack

A surge in equity issuance in continental Europe has under-pinnned strong growth this year in the international new issue market.

Overall new international equity issuance has risen by more than 46 per cent in 1996, according to figures compiled by Capital Data Bondware. Total issuance had risen to more than $76bn - its highest ever level - by December 22, compared with $52.1bn in the whole of 1995. If shares raised through domestic issues are included, the level is even higher. For example, well over half the DM20bn ($13bn) raised by Deutsche Telekom in the year's largest privatisation was raised from German institutions and retail investors.

New issues out of western Europe accounted for more than half the total volume, with issuance from the region rising from $28.9bn to $45.5bn. Privatisation was a driving force, with European governments selling some $16.63bn of new shares to international investors, more than three quarters of all the money raised by sales to international investors of privatisation shares.

The UK government's sale of shares in Railtrack and British Energy helped boost UK issuance to $2.64bn, compared with $2.25bn in 1995. Government sales were also a feature of the new issues market in France (up to $3.6bn from $3.3bn in 1995), Germany (up to $4.3bn from zeroand Italy (up to $3.9bn from $2.3bn

However, the volume of European primary and secondary share issues by existing private-sector companies increased by nearly 75 per cent. In the Netherlands and the UK more than $5bn was raised through new issues of this kind, while $3.85bn was raised by French companies and $3.2bn by German ones. Italian companies raised a further $2.2bn; Swedish companies raised $2.2bn and those from Belgium $1.4bn.

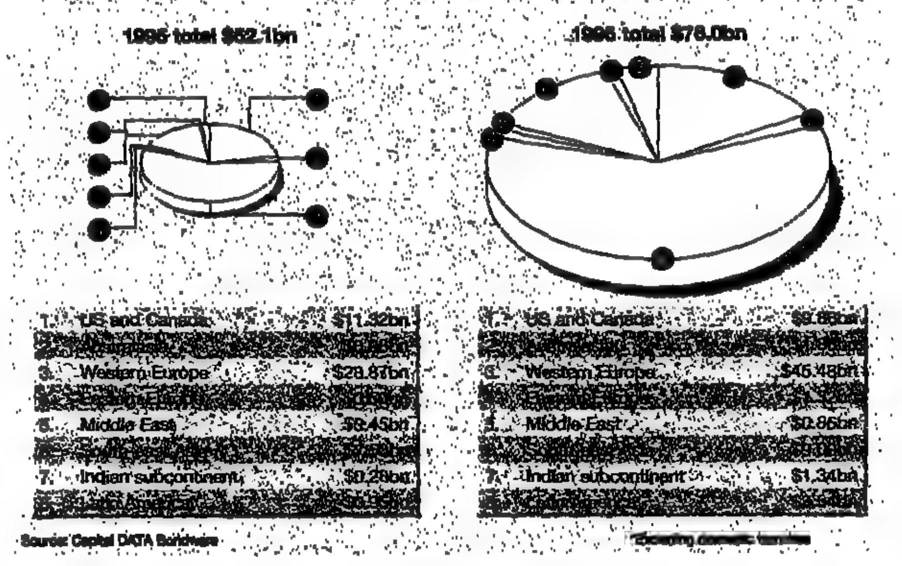
Elsewhere, a fall in new issuance – mainly through IPOs and secondary sales in North America – contrasted with a strong rise in issuance in Latin America. North American issuance dropped to $9.9bn, after a particularly strong year in 1995 when $11.3bn was raised. In Latin America issuance rose to $3.5bn, with the Peruvian government raising more than $1bn from international investors through the sale of a 23.6 per cent stake in Telefonica del Peru, its telecommunications company. Issuance in Mexico rebounded after a sharp fall in 1995, with ten companies raising some $668m, while the Venezuelan government raised $1.01bn in equity when it sold a large stake in Cantv, the telecommunications group.

In Asia issuance from Thailand, Taiwan, Malaysia, the Philippines, Indonesia and Korea dipped, but a rise in issuance from China and out of Hong Kong (mainly through Chinese companies) more than compensated for the decline, with overall issuance rising to $9bn. Chinese and Hong Kong issues accounted for some $4.9bn.

Bankers expect that privatisation, greater interest in equities among continental institutions and individuals, and above all, corporate restructuring will combine to increase the number of European issues coming onto the market. There are some sizeable European privatisation issues in the pipeline. During the first half of 1997, for example, the Spanish government will sell a third tranche in Telefónica, and the French and Italian governments are next year also expected to sell chunks of the their state-owned telecommunications companies.

However, corporate restructuring and moves by privately held companies to float are again likely to provide proportionately more supply. Novartis, the drugs company created by the coming together of Ciba and Sandoz, plans to spin off Ciba Speciality Chemicals, by the end of March, for example. According to Mr Rupert Hume-Kendall, head of the European equity syndicate at UBS, "as some privatisation programmes in developed Europe near completion, the focus is shifting more to corporates whose needs are more diverse."

International equity volumes*



Source: Capital DATA Bondware

*Excluding domestic tranches

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International Limited and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS	FRIDAY DECEMBER 27 1996								THURSDAY DECEMBER 26 1996					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	%chg since 29/12/95	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 29/12/95	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (78)	219.55	15.5	192.46	160.21	177.53	183.58	8.0	4.18	218.06	192.29	158.40	176.44	182.33	224.81	186.44	191.82
Austria (24)	188.30	7.9	165.05	137.39	152.25	152.17	17.2	1.88	185.64	164.46	134.76	150.13	150.05	195.04	174.16	174.16
Belgium (27)	225.75	8.0	197.90	164.74	182.55	178.40	17.5	3.58	224.11	198.66	162.81	181.34	177.21	229.11	208.64	206.13
Brazil (28)	189.15	37.1	165.79	138.01	152.93	361.91	46.8	1.59	188.12	166.76	136.56	152.22	359.64	189.70	137.90	139.57
Canada (115)	189.21	27.5	165.84	138.06	152.98	187.59	27.9	1.96	188.30	166.92	135.79	152.37	185.96	195.24	147.80	147.92
Denmark (30)	344.06	19.1	301.56	251.04	278.17	278.41	27.9	1.65	341.80	302.99	248.30	276.57	275.56	344.05	286.85	286.85
Finland (24)	242.41	29.6	212.47	176.87	196.00	226.42	38.7	2.12	239.65	212.44	174.10	193.92	233.70	244.11	173.93	187.75
France (93)	211.39	17.8	185.27	154.23	170.90	173.91	26.4	2.81	210.79	186.84	153.12	170.55	173.58	212.49	179.16	179.16
Germany (59)	186.13	13.7	163.15	135.81	150.49	150.49	23.6	1.61	185.77	164.67	134.95	150.31	150.31	189.86	163.69	165.34
Hong Kong (59)	506.23	30.8	443.71	369.37	409.30	502.90	30.7	3.10	504.48	447.17	366.47	408.19	501.09	513.18	384.14	384.14
Indonesia (27)	228.14	-	199.96	166.46	184.46	330.72	-	1.54	225.41	199.81	163.75	182.39	326.66	-	-	-
Ireland (16)	318.34	24.8	279.03	232.28	257.39	267.58	19.1	3.43	314.66	278.92	228.58	254.60	267.56	321.14	254.09	254.09
Italy (58)	82.24	11.6	72.09	60.01	66.50	93.96	7.8	2.21	82.05	72.74	59.61	66.39	93.67	84.53	70.61	73.44
Japan (480)	129.37	-16.5	113.39	94.39	104.60	94.39	-8.8	0.81	129.38	114.69	93.99	104.69	93.99	164.58	128.70	156.42
Malaysia (107)	589.09	21.4	516.29	429.76	476.25	573.67	20.9	1.08	587.88	521.10	427.06	475.67	572.47	607.65	477.96	477.96
Mexico (27)	1209.72	16.8	1060.33	882.67	978.09	10389.41	19.1	1.06	1205.06	1068.21	875.42	975.06	10332.92	1325.65	1056.76	1053.88
Netherland (19)	329.02	20.6	288.38	240.07	266.02	262.09	31.4	2.82	325.54	288.57	236.49	263.41	259.51	329.02	272.29	272.74
New Zealand (14)	91.37	14.7	80.08	66.67	73.87	68.65	6.1	4.08	91.08	80.73	66.16	73.69	68.45	94.40	75.94	79.26
Norway (35)	290.64	26.7	254.75	212.07	234.99	254.31	28.2	1.09	284.18	251.90	206.44	229.94	249.35	290.64	224.41	229.12
Philippines (22)	203.63	-	178.49	148.58	164.64	269.90	-	0.85	204.08	180.91	148.26	165.13	267.38	-	-	-
Singapore (43)	412.99	1.4	361.99	301.34	333.91	268.52	0.4	1.04	411.33	364.62	298.81	332.83	265.18	488.21	371.28	405.86
South Africa (44)	315.48	-18.1	276.52	230.19	255.07	322.53	5.0	2.44	313.59	277.98	227.81	253.74	321.58	407.76	301.49	367.91
Spain (35)	216.61	31.1	189.86	158.05	175.14	215.00	41.8	2.84	216.83	192.21	157.52	175.45	215.18	216.83	161.06	161.05
Sweden (48)	414.84	32.9	363.61	302.69	335.41	421.38	37.5	2.02	410.51	363.89	298.21	332.16	417.70	416.67	295.31	311.34
Switzerland (35)	236.43	0.2	207.23	172.51	191.16	197.72	17.4	1.47	234.00	207.43	169.99	189.34	195.23	264.34	219.29	235.98
Thailand (45)	96.71	-42.6	84.77	70.56	78.19	96.20	-41.5	3.57	96.83	85.83	70.34	78.35	95.26	193.95	96.71	168.62
United Kingdom (212)	278.16	20.7	243.80	202.96	224.90	243.80	10.8	3.90	274.98	243.75	199.76	222.50	243.75	278.16	224.39	230.89
USA (623)	307.83	22.5	269.81	224.61	248.89	307.83	22.5	1.96	307.34	272.43	223.27	248.68	307.34	307.83	243.34	250.58
Americas (793)	281.21	22.8	246.48	205.18	227.37	236.61	22.9	1.95	280.70	248.82	203.92	227.13	236.14	281.50	222.53	228.41
Europe (715)	235.71	17.3	206.60	171.99	190.58	202.95	19.4	2.86	233.84	207.28	169.87	189.21	202.24	235.71	198.39	200.91
Nordic (137)	356.63	29.3	312.57	260.20	288.33	315.47	35.0	1.88	352.62	312.57	256.16	285.32	312.35	356.62	265.98	274.94
Pacific Basin (873)	148.60	-10.1	130.25	108.42	120.14	109.03	-2.1	1.30	148.46	131.60	107.85	120.12	108.57	177.01	147.88	166.42
Euro-Pacific (1588)	184.82	2.7	162.00	134.86	149.44	144.46	8.1	2.13	183.96	163.07	133.64	148.85	143.90	191.51	176.40	180.68
North America (738)	300.64	22.8	263.51	219.36	243.08	299.90	22.8	1.98	300.11	266.03	218.02	242.84	299.32	301.15	237.55	244.21
Europe Ex. UK (503)	208.33	15.5	182.60	152.01	168.44	177.78	24.7	2.24	207.11	183.59	150.46	167.58	176.82	209.70	179.04	180.34
Pacific Ex. Japan (393)	312.41	18.1	273.82	227.95	252.59	269.60	15.8	2.77	311.11	275.78	226.01	251.74	268.45	317.82	263.22	263.44
World Ex. US (1802)	185.51	2.6	162.60	135.36	149.99	149.85	9.1	2.12	184.64	163.67	134.13	149.40	149.24	193.47	177.71	181.59
World Ex. UK (2213)	219.03	9.6	191.98	159.82	177.09	190.31	15.2	1.84	218.51	193.70	158.74	176.81	189.69	224.89	197.52	199.79
World Ex. Japan (1945)	274.81	19.9	240.87	200.51	222.19	259.21	21.1	2.31	273.70	242.62	198.83	221.46	258.52	274.88	226.54	228.73
The World Index (2425)	224.10	10.8	196.42	163.51	181.19	195.21	14.8	2.05	223.36	197.99	162.26	180.73	194.64	226.97	200.19	202.52

EMERGING MARKETS By Virginia Marsh and Richard Adams

Moody's gives Budapest a lift

An upgrade in Hungary's sovereign rating just before Christmas fuelled another spectacular rally on the Budapest Stock Exchange, set to be the world's best performing bourse in 1996.

The Bux index closed at a record high of 4,102 on December 23, the last day of trading before the holidays. It was up from 1,529 at the end of 1995, or by more than 120 per cent in dollar terms.

The Bux passed the 4,000 level for the first time on December 20, after Moody's became the last of the main rating agencies to lift Hungary to investment grade. It awarded the country a Baa3 rating, up from Ba1, the equivalent of Standard & Poor's BBB-, the lowest investment grade rating.

The upgrade reflects this year's sharp improvement in the macro-economy, underpinned by continuing structural change and privatisation. The decision also follows Hungary's entry in May into the Organisation for Economic Co-operation and Development, which groups the world's most industrialised states.

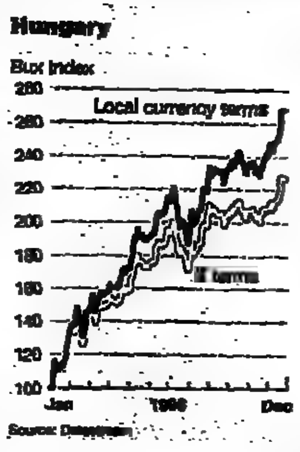
Although growth remains sluggish compared with other former eastern bloc countries – gross domestic product is forecast to rise by 1 per cent this year and by 2 to 3 per cent in 1997 – the improved medium-term outlook and the government's commitment to reform encouraged the foreign investors that dominate the market and who, in the past, have been highly sensitive to political risk.

At the same time, quoted companies such as Richter Gedeon and Egis, two leading pharmaceutical producers, have greatly increased profitability and are expanding rapidly following successful restructuring begun in the early 1990s.

"As well as better overall trends, company fundamentals were outstanding this year," says Mr Gergely Varkonyi, an equity analyst at ING Barings in Budapest. Although he says some companies are slightly overvalued, ING Barings forecasts a price earnings ratio of 8.9 for the market for 1997, compared with an estimated 11.5 for this year.

Brokers say the market is attracting many new foreign investors but that the share of investment from abroad, estimated at at least two-thirds, has not changed significantly. This is due in part to the rapid growth of domestic institutional investors, as well as to increased popular interest in equities.

Local investment funds now manage some Ft120bn ($740m), three times more than two years ago, according to Mr Andras Simor of Creditanstalt Securities in Budapest. Pension funds are also increasing rapidly and are set to expand further if, as expected, the government brings in a partly privately-managed state pensions scheme from 1998.



Source: Datastream

By then, Mr Varkonyi says, interest rates should also have fallen further. Inflation this year is expected to average nearly 24 per cent, dropping to a year-on-year rate of 17 per cent by the end of 1997.

"Yields on fixed income are still quite high and most domestic institutional investors still prefer zero per cent risk government securities. By 1998 interest rates should be lower and investors' interest in stocks will strengthen," he says.

Increased local and foreign participation, as well as new listings, have already improved liquidity and trading volumes which until this year were well below those in Warsaw and Prague, the two other main central European exchanges.

Nevertheless, the BSE remains relatively small, with trading dominated by a handful of the bourse's 44 stocks. Daily spot share turnover averaged more than Ft2bn this quarter, well up on the 1995 average of Ft351m, but the peak for the year, on December 23, was just Ft3.7bn, still low by western standards. Market capitalisation is about $5.1bn, up from $2.34bn at the end of 1995.

One reason the market has fewer stocks than others in the region is that there was little free distribution of shares in Hungary.

"The market has been fed by privatisation but it's almost all been paid for. Markets in countries with voucher privatisation schemes tend to be artificial," says Mr Simor.

It is only from 1998 onwards that he expects greater numbers of start-up private companies to join the exchange. This is frustrating for fund managers who complain of a shortage of good paper – six companies make up 66 per cent of the Bux.

Next year, however, should see more offerings than in the past 12 months. The highlight, if it goes ahead, will be the initial public offering of Matav, the telecoms company, which is majority-owned by Deutsche Telekom and Ameritech of the US. The offering is expected to be for at least 17 per cent, which at present valuations would net about $500m, making it the region's largest.

The year's first big offering is set to be a secondary tranche of 12 to 18 per cent in Mol, the oil and gas conglomerate. The international portion of the IPO, involving about 23 per cent, raised some $180m in 1995.

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ING BARING SECURITIES EMERGING MARKETS INDICES

Index	27/12/96	Week on week movement Actual	Week on week movement Percent	Month on month movement Actual	Month on month movement Percent	Year to date movement Actual	Year to date movement Percent
World (448)	158.76	+0.61	+0.39	-1.21	-0.76	+11.20	+7.59
Latin America							
Argentina (22)	107.05	+3.67	+3.56	+5.27	+5.18	+14.28	+15.39
Brazil (24)	257.98	+2.49	+0.97	+11.25	+4.58	+71.88	+38.65
Chile (16)	163.51	+0.82	+0.51	-11.49	-6.58	-32.18	-16.44
Colombia (13)	173.64	+0.71	+0.41	-0.90	-0.52	+9.39	+5.72
Mexico (27)	81.06	-0.47	-0.58	+1.74	+2.20	+7.49	+10.18
Peru (12)	999.41	+27.88	+2.87	-26.09	-2.54	-69.54	-6.51
Venezuela (6)	61.72	+2.43	+4.10	+3.19	+5.46	+34.21	+124.38
Latin America (119)	142.55	+1.44	+1.02	+3.09	+2.22	+19.41	+15.76
Europe							
Czech Rep.(14)	101.49	+0.19	+0.19	+3.94	+4.04	+25.19	+33.01
Greece (20)	112.90	-0.71	-0.62	+0.57	+0.50	+14.93	+15.24
Poland (25)	341.66	+1.95	+0.57	+5.58	+1.66	+140.50	+69.85
Portugal (17)	144.78	+0.52	+0.36	+3.53	+2.39	+28.30	+24.30
South Africa (30)	128.62	+0.96	+0.75	-6.69	-4.94	-24.75	-16.14
Turkey (27)	126.26	+1.27	+1.02	+6.65	+5.74	+43.46	+52.49
Europe (133)	117.39	+0.65	+0.56	-2.17	-1.82	-4.14	-3.41
Asia							
China (27)	52.60	+1.46	+2.86	+5.85	+12.51	+12.28	+30.44
Indonesia (30)	156.40	+0.79	+0.51	+2.10	+1.36	+17.75	+12.81
Korea (23)	81.39	-4.76	-5.53	-10.45	-11.38	-55.51	-40.56
Malaysia (24)	273.59	+1.58	+0.58	-4.62	-1.66	+46.23	+20.33
Pakistan (13)	61.60	+0.48	+0.78	-5.10	-7.65	-12.00	-16.30
Philippines (16)	313.79	+0.47	+0.15	+12.21	+4.05	+54.83	+21.08
Taiwan (31)	184.23	-1.74	-0.94	-4.38	-2.32	+53.40	+40.82
Thailand (29)	155.96	+1.86	+1.20	-26.00	-14.21	-94.83	-37.89
Asia (193)	215.35	-0.49	-0.23	-6.16	-2.78	+12.31	+6.06

All indices in $ terms, January 7th 1988=100. Source: ING Baring Securities.

Report highlights 'unseen dangers'

Violence and corruption are among the "unseen dangers" ignored by investors in emerging markets, according to a report published today by a London consultancy firm.

In a survey of 2,500 companies operating in more than 40 emerging markets, Merchant International Group found that companies concentrate on economic statistics from banks and ratings agencies, but ignore dangers such as bureaucratic delay and political instability.

Mr Stuart Poole-Robb, chief executive of Merchant International, said: "An emerging market is an alien playing field, driven by alien dynamics.

"Conventional country and market intelligence is only the tip of the iceberg. The real risks lie below the waterline, and companies continue to ignore these with catastrophic consequences."

The report outlines issues often ignored or avoided by companies investing in emerging markets. They include counterfeiting, hidden political agendas, insider trading, and religious fanaticism. It says there is a gap between investors' intelligence on these issues, and conventional market information.

But even routine information, such as national growth forecasts and inflation figures, can cause problems. "Some banks' reports are meaningless since they are based on nations' own statistics. Bluntly, the basis on which some of these statistics are calculated is highly suspect," Mr Poole-Robb said.

The report identifies the "hidden" dangers causing problems in each emerging market region.

- Africa: smuggling and product diversion are common. "The rise of Islamic fundamentalism is a particular source of concern," the report says.
- Asia: Pervasive corruption, bureaucratic delay, increasing crime and violence, counterfeiting and product diversion.
- Latin America: Guerrillas, drug-related crime and violence. "Under-invoicing and customs fraud are widespread, particularly in Argentina."
- Eastern Europe: "Organised crime, often originating from the former Soviet Union, is on the increase." Substandard infrastructure and local management are also problems.

"Shareholders and institutions should be far more diligent about checking whether companies in which they invest enter emerging markets on the basis of factual study or mere 'great expectations'," Mr Poole-Robb said.

The Intelligence Gap, published by Merchant International Group, UK. £950.00. Telephone: 0171 2595060. Fax: 0171 2595090.

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Analysts divided on the outlook for yields

10-year bond yield forecasts

	France Q1-end	France Y-end	Germany Q1-end	Germany Y-end	Italy Q1-end	Italy Y-end	Japan Q1-end	Japan Y-end	UK Q1-end	UK Y-end	US Q1-end	US Y-end
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00	[illegible]	3.50	7.55	[illegible]	[illegible]	7.05
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nikko	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.80	3.00	7.20	7.50	6.70	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yamaichi	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.00	7.35	[illegible]	[illegible]	[illegible]

3-month interest rate forecasts

	France Q1-end	France Y-end	Germany Q1-end	Germany Y-end	Italy Q1-end	Italy Y-end	Japan Q1-end	Japan Y-end	UK Q1-end	UK Y-end	US Q1-end	US Y-end
Bank of America	[illegible]	[illegible]	3.05	3.25	[illegible]	6.20	[illegible]	[illegible]	[illegible]	7.00	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nikko	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yamaichi	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.50	[illegible]

Source: FT [illegible]

At the start of every new year, analysts go to great lengths to establish links – or similarities – with past trading patterns. When bond prices fell in the first few months of this year, most analysts said events were "a repeat of 1994" – when a rate rise early in the year by the US Federal Reserve led to a year-long bear market for bonds worldwide.

Forecasts for 1997, however, are more dispersed. The exception is Japan, where analysts are unanimous in predicting that yields will rise by between one-half and one percentage point.

"By the end of 1997, the market will have priced in a tightening [in Japanese monetary policy] expected to take place in 1998," says Mr Adam Chester, international bond strategist at Yamaichi in London.

Analysts nonetheless agree that the general direction of bond prices will be dictated by the largest markets, such as US Treasuries.

"The US could once again prove to be the most difficult market to call," says Mr Graham McDevitt, bond strategist at Paribas Capital Markets.

While some still expect the Fed to tighten monetary policy, Mr McDevitt believes expectations of an overheating economy accompanied by a resurgence in inflationary pressures are overdone.

"If 10-year US yields cheapen to around 70 basis points over Germany, I recommend a switch out of Treasuries and into bunds," he says.

This view is disputed by Mr Jeremy Hawkins, chief economist at Bank of America in London, who expects European bonds to outperform the US next year.

Mr Hawkins believes that "soft growth with low inflation in Europe could prompt one more rate cut by the Bundesbank". As a result, he adds: "US 10-year yields could climb to 100 basis points over bunds."

But analysts are most sharply divided over prospects for Europe's high yielding bond markets, which showed the best performances in 1996 as their yields converged towards those of bunds on optimism over European economic and monetary union.

At one extreme, Nikko and Paribas expect the yield of 10-year Italian BTPs to end 1997 at 9 per cent, 150 basis points up from current levels. At the other, Yamaichi is predicting a fall of 150 basis points, pushing this yield to less than 100 basis points over bunds – from 180 points on Friday.

"We are still strong advocates of convergence", says Mr Adam Chester, international bond strategist at Yamaichi in London. "The momentum is still there for Italian bonds to rally, even if Italy does not join Emu from the first round."

Mr McDevitt at Paribas is less optimistic. He expects Italian BTPs to underperform not only core European markets, but other high-yielders as well.

"By the end of next year, bond prices will reflect the market's belief that Spain will be a founding member of Emu, while Italy will be left out [from the first round]," he predicts.

As a result, Paribas expects Spanish 10-year yields to start trading within 100 basis points of German bunds as of early 1998, with the Italian spread widening to around 200 basis points.

Mr McDevitt says yield curve flattening will be a dominant theme in Europe, led by Germany. With Paribas predicting German GDP growth of 2.4 per cent, up from this year's expected 1.5 per cent, he expects the Bundesbank to raise its repo rate "sometime in the second half of the year".

However, Mr Julian Jessop, chief European economist at Nikko, disagrees. Instead, he concurs with Bank of America's Mr Hawkins over the possibility of further monetary easing by the Bundesbank, adding that "purely domestic considerations in Germany would justify 10-year bund yields of around 5 per cent".

However, he admits that this view is tempered by external factors, such as concern about Emu and weakness in US Treasuries.

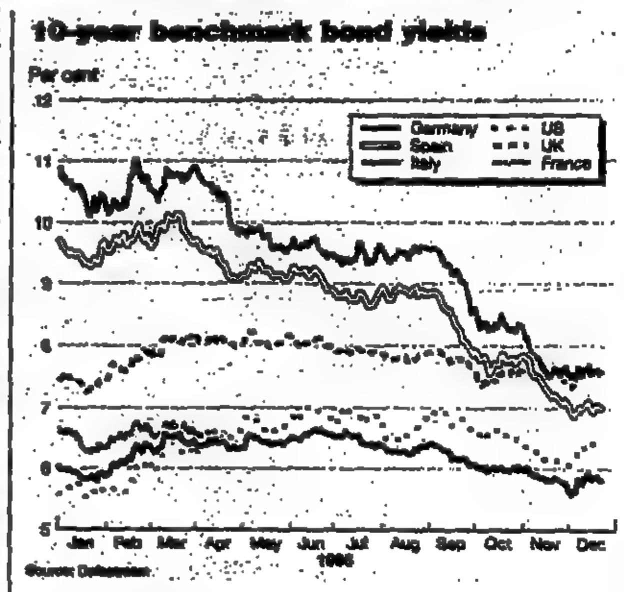
In addition to economic fundamentals and Emu-related considerations, Mr Hawkins points out that bond market performance could also be affected by equities. A fall in US share prices, for example, could cause a weakening of the dollar on the foreign exchange market, he says. The resulting strengthening of the D-Mark would in turn cause "turmoil in the convergence process".

Other threats include the possibility that core European countries – such as Germany – might not meet the Maastricht criterion limiting the budget deficit to less than 3 per cent of GDP.

This could happen if economic growth fails to reach official estimates, a risk Mr Hawkins believes cannot be entirely ruled out.

Looking at market forecasts, it is not easy to tell whether history repeats itself. But, in the words of one analyst, "the only thing one can predict with certainty is that 1997 will be as unpredictable as 1996".

10-year benchmark bond yields



Source: Datastream

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	5.00	0.50	2.50	3.20[1]	7.50	6.00[2]
Overnight	5.25	0.38	4.88	3.25	7.88	5.88
Three month	5.10	0.31	3.08	3.28	7.20	6.25
One year	5.46	0.38	3.16	3.28	6.50	6.75
Five year	6.10	1.55	4.81	4.60	6.71	7.24
Ten year	6.30	2.64	5.79	5.72	7.58	7.50

(1) France-Intervention rate. (2) UK-Base rate. Source: Reuters.

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Dec 27		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	18.5128	+0.1944	029 - 222	18.5193	18.2885	18.4891	2.8	18.4128	2.2	-	-	104.4
Belgium	(BFr)	54.1888	+0.5743	776 - 201	54.2450	53.5740	54.0739	2.8	53.8089	2.9	52.6139	2.9	104.9
Denmark	(DKr)	10.0646	+0.1111	593 - [illegible]	10.0889	9.9473	10.0447	2.4	10.0041	2.4	9.8252	2.4	106.7
Finland	(FM)	7.8611	[illegible]	520 - 683	7.8693	7.7690	-	-	-	-	-	-	84.4
France	(FFr)	8.8725	+0.0888	678 - 771	8.8857	8.7628	8.8518	2.8	8.8101	2.8	8.6063	3.0	107.8
Germany	(DM)	2.6308	+0.0277	295 - 321	2.6338	2.5998	2.6243	3.0	2.611	3.0	2.5462	3.2	106.8
Greece	(Dr)	418.147	+4.889	963 - 330	418.330	412.801	-	-	-	-	-	-	66.2
Ireland	(I£)	1.0090	-0.0004	085 - 095	1.0111	1.0061	1.0087	0.4	1.0077	0.6	1.0011	0.8	103.2
Italy	(L)	2587.84	+31.47	649 - 918	2589.23	2552.52	2591.64	-1.8	2599.14	-1.7	2603.84	-0.6	77.9
Luxembourg	(LFr)	54.1888	+0.5743	776 - 201	54.2450	53.5740	54.0739	2.8	53.8089	2.9	52.6139	2.9	104.9
Netherlands	(Fl)	2.9524	+0.0312	511 - 536	2.9560	2.9193	2.9448	3.2	2.9201	3.2	2.8556	3.3	104.8
Norway	(NKr)	10.9049	[illegible]	006 - 092	10.9268	10.8194	10.8924	1.4	10.8724	1.2	10.7674	1.3	100.1
Portugal	(Es)	264.854	+2.94	707 - 001	265.001	261.987	265.049	-0.9	265.419	-0.9	-	-	95.3
Spain	(Pta)	[illegible]	+2.545	480 - 787	221.785	218.087	221.714	-0.4	221.594	0.1	221.465	0.1	79.1
Sweden	(SKr)	11.6069	+0.1114	974 - 164	11.6184	11.4704	11.5879	2.0	11.5434	2.2	11.3339	2.4	87.8
Switzerland	(SFr)	2.2818	+0.0311	804 - [illegible]	[illegible]	2.2478	2.2738	4.2	2.2586	4.1	2.1871	4.2	103.7
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	95.6
Ecu	-	1.3653	+0.0138	644 - 662	1.3662	1.3499	1.3634	1.7	1.3589	1.9	1.3375	2.0	-
SDR†	-	1.164772	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6908	+0.0188	904 - 912	1.6927	1.6732	-	-	-	-	-	-	-
Brazil	(R$)	1.7585	+0.0215	577 - 592	1.7595	1.7381	-	-	-	-	-	-	-
Canada	(C$)	2.3152	+0.0343	142 - 162	2.3177	2.2829	2.31	2.7	2.2992	2.8	2.2402	3.2	84.5
Mexico	(New Peso)	13.2875	+0.1709	759 - 991	13.2991	13.1453	-	-	-	-	-	-	-
USA	($)	1.6918	+0.0191	912 - 920	1.6930	1.5735	1.6909	0.5	1.6882	0.8	1.6739	1.0	96.7
Pacific/Middle East/Africa													
Australia	(A$)	2.1264	+0.0238	252 - 275	2.1277	2.1009	2.1277	-0.7	2.1284	-0.4	2.128	-0.1	95.1
Hong Kong	(HK$)	13.0893	+0.1492	853 - 932	13.0992	12.9499	13.082	0.7	13.0681	0.6	13.0035	0.7	-
India	(Rs)	60.5593	+0.7255	604 - 582	60.6582	59.9950	-	-	-	-	-	-	-
Israel	(Shk)	5.5155	+0.042	113 - 196	5.5196	5.4537	-	-	-	-	-	-	-
Japan	(Y)	195.262	+3.05	131 - 392	195.700	192.180	194.392	5.7	192.477	5.7	184.062	5.7	128.7
Malaysia	(M$)	4.2778	+0.0488	759 - 796	4.2799	4.2321	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3939	+0.0267	921 - 956	2.3960	2.3684	2.4006	-3.4	2.4101	-2.7	2.4808	-1.5	112.4
Philippines	(Peso)	44.4891	+0.519	109 - 673	44.5673	44.4109	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.3447	+0.0718	427 - 467	6.3494	6.2790	-	-	-	-	-	-	-
Singapore	(S$)	2.3688	+0.029	675 - 703	2.3703	2.3427	-	-	-	-	-	-	-
South Africa	(R)	7.9125	+0.0688	064 - 186	7.9199	7.8417	-	-	-	-	-	-	-
South Korea	(Won)	1427.12	+15.53	670 - 754	1427.54	1412.27	-	-	-	-	-	-	-
Taiwan	(T$)	46.5190	+0.5252	742 - 638	46.5638	46.0212	-	-	-	-	-	-	-
Thailand	(Bt)	43.3557	+0.5146	285 - 829	43.3829	42.8800	-	-	-	-	-	-	-

† Rates for Dec 26. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Dec 27		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	10.9438	-0.0068	407 - 469	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.2	10.6889	2.3	104.2
Belgium	(BFr)	32.0400	[illegible]	350 - 450	32.1370	31.8810	31.98	2.2	31.8525	2.3	31.3125	2.3	104.9
Denmark	(DKr)	5.9488	-0.0015	460 - 515	5.9632	5.9424	5.9409	1.8	5.9225	1.8	5.8408	1.8	106.3
Finland	(FM)	4.6472	+0.0007	434 - 509	4.6575	4.6402	4.6384	2.3	4.6197	2.4	4.5372	2.4	84.0
France	(FFr)	5.2450	-0.008	435 - 465	5.2630	5.2350	5.2367	1.9	5.2187	2.0	5.143	1.9	107.4
Germany	(DM)	1.5552	-0.0012	548 - 556	1.5600	1.5533	1.5523	2.2	1.5463	2.3	1.5215	2.2	106.4
Greece	(Dr)	247.190	+0.1	140 - 240	247.800	246.250	248.745	-7.5	251.315	-6.7	262.34	-6.1	68.0
Ireland	(I£)	1.6765	[illegible]	760 - 770	1.6775	1.6570	1.6761	0.3	1.6757	0.2	1.6728	0.2	-
Italy	(L)	1529.82	+1.34	938 - 025	[illegible]	[illegible]	[illegible]	-2.5	1539.42	-2.5	1552.47	-1.5	77.8
Luxembourg	(LFr)	32.0400	[illegible]	350 - 450	32.1370	31.8810	31.98	2.2	31.8525	2.3	31.3125	2.3	104.9
Netherlands	(Fl)	1.7453	[illegible]	450 - 456	1.7510	1.7432	1.7415	2.6	1.7335	2.7	1.698	2.7	104.7
Norway	(NKr)	6.4465	-0.018	455 - 475	6.4808	6.4455	6.4428	0.7	6.4371	0.6	6.4115	0.5	99.3
Portugal	(Es)	156.570	-0.03	520 - 620	157.010	156.410	156.775	-1.6	157.07	-1.3	157.845	-0.8	95.7
Spain	(Pta)	131.020	[illegible]	[illegible] - 080	[illegible]	130.840	131.12	[illegible]	[illegible]	-0.8	131.385	-0.3	79.1
Sweden	(SKr)	6.8615	-0.0118	575 - 655	6.8824	6.8492	6.8587	0.5	6.8459	0.7	6.8015	0.9	87.3
Switzerland	(SFr)	1.3489	[illegible]	[illegible] - 494	1.3515	1.3425	1.3451	3.4	1.3373	3.5	[illegible]	[illegible]	[illegible]
UK	(£)	1.6918	+0.0191	912 - 920	1.6930	1.6735	1.6909	0.5	1.6882	0.8	[illegible]	1.0	94.4
Ecu	-	1.2390	[illegible]	[illegible] - 395	1.2417	1.2369	1.2404	-1.3	1.2435	-1.4	1.2601	-1.7	-
SDR	-	[illegible]	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9995	-0.0003	995 - 995	0.9995	0.9995	-	-	-	-	-	-	-
Brazil	(R$)	1.0395	+0.0009	393 - 397	1.0402	1.0393	-	-	-	-	-	-	-
Canada	(C$)	1.3687	+0.0049	684 - 689	1.3693	1.3625	1.3663	[illegible]	1.3613	2.2	[illegible]	2.5	84.2
Mexico	(New Peso)	7.8550	[illegible]	500 - 600	7.8600	7.8480	7.973	-18.0	8.2395	-19.6	9.1	-15.8	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	99.4
Pacific/Middle East/Africa													
Australia	(A$)	1.2570	[illegible]	[illegible] - 574	1.2574	1.2568	1.2585	-1.4	1.2604	-1.1	1.2659	-0.7	96.5
Hong Kong	(HK$)	7.7378	[illegible]	[illegible] - 383	7.7383	7.7372	7.7377	0.0	7.7382	0.0	7.7493	-0.1	-
India	(Rs)	35.8000	+0.025	500 - 500	35.8650	35.7500	36.015	-7.2	36.475	-7.5	-	-	-
Israel	(Shk)	3.2605	-0.0121	588 - 622	3.2699	3.2569	-	-	-	-	-	-	-
Japan	(Y)	115.430	+0.505	380 - 480	[illegible]	[illegible]	114.955	4.9	[illegible]	5.1	[illegible]	[illegible]	[illegible]
Malaysia	(M$)	2.5288	+0.0003	283 - 293	2.5295	2.5283	2.5316	-1.4	2.537	-1.3	2.5583	-1.2	-
New Zealand	(NZ$)	1.4151	-0.0002	144 - 158	1.4158	1.4144	1.4206	-4.7	1.4249	[illegible]	1.4564	-2.9	-
Philippines	(Peso)	26.3000	[illegible]	[illegible] - 400	26.3400	26.2600	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7507	+0.0001	504 - 510	3.7510	3.7504	3.751	-0.1	3.7514	-0.1	3.7533	-0.1	-
Singapore	(S$)	1.4004	+0.0014	999 - 009	1.4009	1.3995	1.3982	[illegible]	1.3937	1.9	1.3724	2.0	-
South Africa	(R)	4.6775	[illegible]	750 - 800	4.6881	4.6750	4.7182	-10.4	4.7932	-9.9	5.108	-9.2	-
South Korea	(Won)	843.850	-0.35	600 - 700	844.100	843.500	-	-	-	-	-	-	-
Taiwan	(T$)	27.5000	-	[illegible] - 200	27.5200	27.4800	27.5001	0.0	27.5003	0.0	-	-	-
Thailand	(Bt)	25.6300	+0.015	200 - 400	25.6400	25.6050	25.72	-4.2	25.6875	[illegible]	26.525	[illegible]	-

† SDR rate per $ for Dec 26. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Dec 27: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

December 27	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	[illegible]	-
France	[illegible]	3⅜	3⅜	3⅜	3⅜	3.15	-	4.75
week ago	[illegible]	3⅜	[illegible]	3⅜	3⅜	3.15	-	4.75
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.00
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.50	3.00
Ireland	5⅜	5⅝	5⅞	[illegible]	[illegible]	-	-	6.25
week ago	[illegible]	5⅝	5⅞	[illegible]	[illegible]	-	-	6.25
Italy	7⅝	[illegible]	7⅛	[illegible]	6½	9.00	7.50	7.38
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.00	7.50	7.38
Netherlands	[illegible]	3	[illegible]	[illegible]	[illegible]	-	3.00	3.30
week ago	[illegible]	3	[illegible]	[illegible]	[illegible]	-	3.00	3.30
Switzerland	1⅝	[illegible]	[illegible]	2	2	-	1.00	-
week ago	1½	[illegible]	[illegible]	2	2	-	1.00	-
US	5⅝	[illegible]	5⅝	[illegible]	5⅝	-	5.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	5⅝	-	5.00	-
Japan	½	⅜	⅜	[illegible]	[illegible]	-	0.50	-
week ago	½	⅜	½	⅜	[illegible]	-	0.50	-
$ LIBOR FT London								
Interbank Fixing	-	[illegible]	5⅝	5⅝	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	5⅝	[illegible]	-	-	-
US Dollar CDs	-	5.00	5.11	5.16	5.34	-	-	-
week ago	-	5.00	5.11	5.15	5.32	-	-	-
ECU Linked Ds	-	4⅜	[illegible]	[illegible]	4⅜	-	-	-
week ago	-	4⅜	[illegible]	[illegible]	4⅜	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	3⅜	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	3⅜	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Dec 27	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Dec 27		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.56	16.37	4.855	1.862	4774	5.447	20.11	488.7	408.9	21.42	4.211	1.845	4.272	3.122	360.4	2.519
Denmark	(DKr)	53.87	10	8.820	2.615	[illegible]	2572	2.934	10.83	263.2	220.3	11.54	2.268	0.994	2.301	1.682	194.1	1.357
France	(FFr)	61.07	11.34	10	2.965	1.137	2916	3.327	12.28	298.4	249.7	13.08	2.572	1.127	2.609	1.907	220.1	1.538
Germany	(DM)	20.60	3.824	3.372	1	0.384	983.3	1.122	4.143	100.6	84.23	4.413	0.867	0.380	0.880	0.643	74.23	0.519
Ireland	(I£)	53.71	9.970	8.794	2.608	1	2564	2.926	10.80	262.4	219.6	11.51	2.262	0.991	2.294	1.677	193.5	1.353
Italy	(L)	2.095	0.389	0.343	0.102	0.039	100.	0.114	0.421	10.24	8.566	0.449	0.088	0.039	0.089	0.065	7.549	0.053
Netherlands	(Fl)	18.36	3.408	3.006	0.891	0.342	876.4	1	3.692	89.70	75.07	3.933	0.773	0.339	0.784	0.573	66.16	0.462
Norway	(NKr)	49.72	9.229	8.140	2.414	0.926	2373	2.708	10	242.9	203.3	10.65	2.094	0.917	2.124	1.552	179.2	1.252
Portugal	(Es)	20.46	3.799	3.351	0.994	0.381	977.0	1.115	4.116	100.	83.69	4.384	0.862	0.378	0.874	0.639	73.75	0.515
Spain	(Pta)	24.45	4.540	4.004	1.187	0.455	1167	1.332	4.919	119.5	100.	5.239	1.030	0.451	1.045	0.764	88.13	0.616
Sweden	(SKr)	46.68	8.665	7.643	2.266	0.869	2228	2.543	9.388	228.1	190.9	10	1.966	0.861	1.994	1.457	168.2	1.176
Switzerland	(SFr)	23.75	4.408	3.888	1.153	0.442	1134	1.294	4.777	116.0	97.11	5.088	1	0.438	1.014	0.741	85.58	0.598
UK	(£)	54.19	10.06	8.873	2.631	1.009	2587	2.952	10.90	264.8	221.6	11.61	2.282	1	2.315	1.692	195.3	1.365
Canada	(C$)	23.41	4.346	3.833	1.137	0.436	1117	1.275	4.708	114.4	95.72	5.015	0.986	0.432	1	0.731	84.36	0.590
US	($)	32.03	5.946	5.244	1.555	0.596	1529	1.745	6.442	156.5	131.0	6.862	1.349	0.591	1.368	1	115.4	0.807
Japan	(Y)	27.75	5.151	4.543	1.347	0.517	1325	1.512	5.581	135.6	113.5	5.945	1.168	0.512	1.185	0.866	100.	0.699
Ecu		39.70	7.370	6.500	1.927	0.739	1895	2.163	7.985	194.0	162.3	8.505	1.672	0.733	1.696	1.240	143.1	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Mar	0.6466	0.6464	-0.0001	0.6468	0.6443	3,982	47,694
Jun	0.6492	0.6503	-0.0001	0.6496	0.6492	6	4,360
Sep	-	0.6542	-0.0001	-	-	50	1,693

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Mar	0.7495	0.7465	-0.0026	0.7500	0.7452	2,348	43,912
Jun	0.7521	0.7533	-0.0026	0.7540	0.7517	39	1,376
Sep	-	0.7601	-0.0028	-	-	4	1,800

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Mar	0.8802	0.8750	-0.0053	0.8756	0.8690	4,940	53,596
Jun	0.8862	0.8863	-0.0054	0.8867	0.8813	181	1,448
Sep	-	0.8977	-0.0055	-	-	50	85

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Mar	1.6706	1.6918	+0.0218	1.6926	1.6700	1,287	25,813
Jun	1.6750	1.6870	+0.0210	1.6890	1.6750	3	2,187
Sep	-	1.6822	+0.0206	1.6790	-	15	1,027

■ Pound in New York

Dec 27	—Close—	—Prev. close—
£ spot	1.6945	1.6740
1 mth	[illegible]	1.6733
3 mth	1.6912	1.6708
1 yr	1.6763	1.6658

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Markets page in today's edition.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Jan	PUTS Feb	PUTS Mar
1.650	3.50	4.16	4.57	0.20	1.00	1.54
1.670	2.66	3.47	-	0.39	1.32	[illegible]
1.680	2.01	2.85	[illegible]	0.66	1.70	2.31

Previous day's vol., Calls 10 Puts 0. Prev. day's open int., Calls 18,596 Puts 14,392

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Jan	PUTS Feb	PUTS Mar
0.635	0.95	1.36	-	0.14	0.38	0.53
0.640	0.59	1.04	1.30	0.24	0.56	0.72
0.645	[illegible]	0.76	[illegible]	0.47	0.79	0.95

Previous day's vol., Calls 5 Puts 0. Prev. day's open int., Calls 14,563 Puts 26,162

UK INTEREST RATES

LONDON MONEY RATES

Dec 27	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6¼ - 5	6¼ - 6	[illegible]	[illegible]	[illegible]	7 - 6⅞
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	6 - 5⅞	[illegible]	[illegible]	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	[illegible]	[illegible]	-	-	-	-

UK clearing bank base lending rate 6 per cent from October 30, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount on Dec 27, 6.1647pc. ECGD fixed rate Stlg. Export Finance. Make up day Nov 29, 1996. Agreed rate for period Dec 25, 1996 to Jan 25, 1997, Scheme III 7.31pc. Reference rate for period Nov 1, 1996 to Nov 29, 1996, Schemes IV & V 6.373pc. Finance House Base Rate 6½pc from Dec 1, 1996

BANK OF ENGLAND TREASURY BILL TENDER

	Dec 27	Dec 20		Dec 27	Dec 20
Bills on offer	£200m	£200m	Top accepted rate	6.2170%	6.0586%
Total of applications	£291m	£200	Ave. rate of discount	6.1647%	6.0566%
Total allocated	£200m	£200m	Average yield	6.2506%	6.1495%
Min. accepted bid	£98.460	£98.490	Offer at next tender	£200m	£200m
Allotment at min. level	46%	29%	Min. accept. bid 93 days	-	-

BANK RETURN

BANKING DEPARTMENT	Tuesday 24 December	Increase or decrease for week
Liabilities	£	£
Capital	14,553,000	
Public deposits	1,272,125,610	+270,671,130
Bankers deposits	2,071,988,174	+51,023,327
Reserve and other accounts	3,080,833,598	-111,734,657
	6,439,500,580	+209,959,800
Assets		
Government securities	1,307,180,187	+75,047,032
Advance and other accounts	3,360,390,527	+1,021,391,912
Premise, equipment and other secs	[illegible]	-878,579,706
Notes	4,749,744	-7,961,981
Coin	[illegible]	+82,543
	6,439,500,590	+209,959,800
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	23,185,250,256	+777,961,981
Notes in Banking Department	4,749,744	-7,961,981
	23,190,000,000	+770,000,000
Assets		
Other Government securities	16,809,393,178	+285,494,520
Other Securities	[illegible]	+484,505,480
	23,190,000,000	+770,000,000

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Cyprus Popular Bank	6.00	●Rea Brothers	6.00
Allied Irish Bank (GB)	6.00	Duncan Lawrie	6.00	Royal Bk of Scotland	6.00
Allied Trust Bank	6.00	Exeter Bank Limited	7.00	●Singer & Friedlander	6.00
●Henry Ansbacher	6.00	Financial & Gen Bank	7.00	●Smith & Williamson Secs	6.00
Bank of Baroda	6.00	●Robert Fleming & Co	6.00	Scottish Widows Bank	6.00
Banco Bilbao Vizcaya	6.00	Girobank	6.00	TSB	6.00
Bank of Cyprus	6.00	●Guinness Mahon	6.00	United Bank of Kuwait	6.00
Bank of Ireland	5.75	Habib Bank AG Zurich	6.00	Unity Trust Bank Plc	6.00
Bank of India	6.00	●Hambros Bank	6.00	Western Trust	6.00
Bank of Scotland	6.00	Heritable & Gen Inv Bk	6.00	Whiteaway Laidlaw	6.00
Barclays Bank	6.00	●Hill Samuel	6.00	Yorkshire Bank	6.00
Brit Bk of Mid East	6.00	C. Hoare & Co	6.00		
●Brown Shipley & Co Ltd	6.00	Hongkong & Shanghai	6.00	● Members of London Investment Banking Association	
Citibank NA	6.00	Julian Hodge Bank	6.00	* In administration	
Clydesdale Bank	6.00	●Leopold Joseph & Sons	6.00		
The Co-operative Bank	6.00	Lloyds Bank	6.00		
Coutts & Co	6.00	Midland Bank	6.00		
		NatWestminster	6.00		

FT GOLD MINES INDEX

	Dec 27	% chg since 29/12/95	Mkt Cap $bn	% of Gold Mines	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (32)	1834.13	-4.1	49.04	100.00	1.89	-	2520.73	1800.06
■ Regional Indices								
Africa (14)	2114.59	-18.8	11.83	23.75	3.74	30.34	3553.86	2091.20
Australasia (6)	2195.43	-7.3	6.08	12.20	2.59	21.78	2927.34	2005.78
North America (12)	1709.20	+1.5	31.41	64.05	0.77	63.62	2186.39	1648.48

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LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	1996 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§70	F.P.	18.5	84½	72½	Advanced Power	80		-	-	-	-
§165	F.P.	35.6	174½	170½	Aquarius	172½		W6.65	2.0	5.0	12.6
§	P.P.	-	55½	49½	BZW Endowment Red	55		-	-	-	-
§200	F.P.	40.0	245	227½	Cadcentre	240½		L2.4	2.5	1.2	30.3
275	F.P.	252.3	311½	277	Colt Telecom	281		-	-	-	-
§-	F.P.	18.4	81½	78½	Crown Leisure	81½		W1.95	3.0	3.0	14.0
§115	F.P.	4.27	122½	120½	†Dawn Til Dusk	121½		-	-	-	10.3
§75	F.P.	7.86	89½	79½	†Fountain For	89½		§-	1.8	-	13.8
§	F.P.	85.2	345	327½	Henderson Tech C	345	+1	-	-	-	-
§72	F.P.	10.3	121½	87½	†Highams Systems	118½		W-	-	-	17.0
§50	F.P.	5.81	52½	47½	†Kern River	50½		-	-	-	-
§170	F.P.	89.4	187½	172½	Ker Group	187½		6.5	2.0	4.3	12.1
§150	F.P.	45.6	164½	154½	Linden	164½		W6.0	2.1	4.6	12.8
*	F.P.	8.92	50½	49½	†Netcall	49½		-	-	-	-
§135	F.P.	28.4	142½	130½	Oliver Ashworth	135½		F4.6	1.9	4.2	12.0
-	F.P.	4.10	102½	80½	†On-Line	102½		-	-	-	-
-	F.P.	48.2	72½	42½	†Oxford Biomedica	72½		-	-	-	-
§65	F.P.	17.0	80½	65½	Parkwood	79½		R1.82	1.3	2.9	28.7
§65.5	F.P.	12.4	70½	52½	†Pilot Tech Intl	56½		b-	-	-	18.8
125	F.P.	23.8	137½	122½	Provend	137½		RN3.6	2.4	3.3	14.0
§160	F.P.	61.5	175½	160	SDX Business Sys	172½		L2.2	2.6	1.6	23.6
§125	F.P.	33.7	139½	130½	Scot Highland Ht	136½		R3.0	2.4	2.7	13.8
§585	F.P.	-	767½	662½	Sunderland	760	+17½	-	-	-	-
*	F.P.	-	128½	125	Sutton Harbour	128½		-	-	-	-
§215	F.P.	44.8	218½	192	Xenova	193½	-1½	-	-	-	-
-	F.P.	8.04	179½	167½	†Yeoman Group	169½		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.46	94.47	+0.02	94.48	94.45	8,169	411,220
Jun	94.32	94.33	+0.02	94.34	94.31	7,019	322,007
Sep	93.84	94.21	+0.03	94.22	94.18	4,144	217,687

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.96	94.96	+0.02	94.98	94.96	16	3,919
Jun	94.86	94.86	-	94.87	94.86	5	2,323
Sep	-	94.73	+0.01	-	-	4	29

All Open interest figs. are for previous day

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1996 High	1996 Low	Stock	Closing price p	+or-
116	Nil	3/1	12pm	[illegible]	Allied Colloids	[illegible]	-1
5	Nil	3/1	1½pm	1½pm	Aukett Assoc	1½pm	
620	Nil	3/1	½pm	¼pm	Azlan	¼pm	
500	Nil	6/1	254pm	167½pm	Biocompatibles	251½pm	

pm premium.

UK GILTS PRICES

STOCK INDICES

RESERVE BANK OF INDIA

GLOBAL TENDER NOTICE

Sealed tenders are invited for the printing and supply of **2000 million pieces of Rs.100/- denomination and 1600 million pieces of Rs.500/- denomination printed finished Indian banknotes.** The entire supplies are to be executed within 12 months of placement of order/s. Only well established banknote printers of international repute who possess necessary infrastructure and production capacity to execute the work within the above time frame need apply.

Tender forms can be obtained from the Chief General Manager, Reserve Bank of India, Department of Currency Management, Central Office, Mumbai 400001 between 11.00 a.m. to 3.00 p.m. on any working day from 1st to 15th January 1997 on payment of Rs.20,000/- by bank draft payable to Reserve Bank of India, Mumbai drawn on any scheduled commercial bank in Mumbai, India.

Duly authorised Agents / representatives in India of foreign principals may purchase tender documents on behalf of their principals on production of letter of authorisation from their principals.

Tender in duplicate shall be submitted in sealed covers superscribed "Tender for supply of Indian Banknotes" and addressed to Mr. K. D. Savkur, Chief General Manager, Department of Currency Management, **Reserve Bank of India**, Central Office, Central Office Building, 21st floor, Shahid Bhagat Singh Road, Mumbai 400001, INDIA, by name so as to reach him before 11.30 a.m. IST on **31st January 1997.**

The Bank reserves the right to reject any or all the offers without assigning any reason.

EUROFIMA
European Company for the Financing of Railroad Rolling Stock
Y20,000,000,000
Floating rate notes due 2005
Notice is hereby given that for the interest period 30 December 1996 to 30 June 1997 the notes will carry an interest rate of 0.40625% per annum. Interest payment date 30 June 1997.
Agent: Morgan Guaranty Trust Company
JPMorgan

CIC
Compagnie Financière de CIC et de L'Union Européenne
US$150,000,000
Floating rate notes 1998
Notice is hereby given that for the interest period 30 December 1996 to 27 March 1997 will carry an interest rate of 5.84375% per annum. Interest payable on 27 March 1997 will amount to US$141.22 per US$10,000 note and US$3,530.60 per US$250,000 note.
Agent: Morgan Guaranty Trust Company
JPMorgan

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, MERCHANT

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

FOOD PRODUCERS - Cont.

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

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هكذا من الأصل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

LIFE ASSURANCE - Cont.

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PAPER, PACKAGING & PRINTING - Cont.

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TEXTILES & APPAREL - Cont.

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Dividend covers are calculated on a "net" basis.

Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Figures or report awaited
- Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- Merger bid or reorganisation in progress.
- Forecast dividend; cover based on earnings updated by latest interim statement.
- Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. e Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1996-97. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1995. K Dividend based on prospectus or other official estimates for 1996. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1995-96. N Dividend is paid in whole or part as a FID (Foreign Income Dividend). Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: Archer Dedicated (InsC), Finsbury Intl Hedge (InCo), Britt Allcroft (Med), Semple Cochrane (SpSv), Beechcroft (AIM). Deletions: Charters Towers (ExIn), Fleming Smaller Co's Wts, Intl Biotech C (InTr), Lloyds Abbey Life (LIAs).

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FT Company Focus / Focus Plus

Comprehensive 10-18 page report available on this company, containing key news stories from the last year, latest survey of City profit forecasts and investment recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements.

Company Focus (FT news) £5.45.

Focus Plus (FT and Investors Chronicle news) £10.95.

To order, call 0121 200 4678.

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Call 0171 873 4378 for more information on FT Cityline.

For readers phoning from outside UK, please dial +44 in place of the first 0.

The share prices printed on these pages are also available on the Internet at http://www.FT.com.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

Pembroke Hall, Pembroke, Bermuda

	Selling Price		Yield Grs	City-Line
A$ Accum	A$19.325		5.00	40967
ACsh Accum	Sch240.86		2.10	47644
C$ Accum	C$18.761		2.10	47941
DM Accum	DM28.458		2.10	41229
DFl Accum	Dfl31.760		1.70	40939
ECU Accum	Ecu13.665		3.00	41230
FFr Accum	FFr67.318		2.20	41282
HK$ Accum	HK$122.21		4.00	41316
Lire Accum	L29915		6.40	41386
NZ$ Accum	NZ$40.483		6.90	41944
NKr Accum	NKr113.18		3.00	40045
S$ Accum	S$26.146		2.10	40050
SPta Accum	Pta2765.1		5.50	50134
£ Accum	£13.247		4.90	41546
SKr Accum	SKr121.87		3.00	43054
SFr Accum	SFr29.415		0.50	41556
US$ Accum	$23.710		4.50	41579
Yen Accum	Y2890.9		0.10	41522

Prices for dealing December 27

Jupiter Tyndall (Bermuda) Ltd

PO Box HM1258, Hamilton, Bermuda 001 809 292 2780

Jupiter Tyndall World Umbrella Fund Ltd

	Selling Price	Buying Price	Yield Grs	City-Line
Eurobond	$16.34	17.17	3.29	45873
Money	$14.29	15.01	2.59	45872
Mortgage	C$24.29	25.62	7.12	45875
North American	$14.69	15.43	0.00	45871
Overseas	$17.28	18.16	0.00	45876
Tiger	$16.94	17.80	0.00	45877
UK Small Cos	£1.33	1.41	0.00	58185

Newport Investment Management

Prudential Fund Managers (Guernsey) Ltd

PO Box 21, St Peter Port, Guernsey 01481 707000

Prudential Money Funds Ltd

	Selling Price	Buying Price	Yield Grs	City-Line
Managed Sterling	147.5	147.1	4.92	45631
Managed Dollar 5	$14.27	14.28	4.28	45632
Dollar Deposit	$10.05	10.07	2.74	45645

Rothschild Asset Management (CI) Ltd

PO Box 242, St Peter Port, Guernsey 01481 719700

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

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Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

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Perpetual UT Mngrs (Jersey) Ltd

	Selling Price	Buying Price	Yield Gross	City-line
Offshore Asn Grwth Fd	$11.9919	12.7488	–	49882
Offshore Emerging Cos	$7.6474	8.1280	–	49593
Offshore Far East Grwth Fd	$5.2118	5.5298	–	49585
Offshore Intl Grwth Fd	$0.5174	0.8281	–	45591
Offshore Japanese Grwth Fd	$0.9671	1.0279	–	47850
Offshore UK Growth Fd	$4.3408	4.8728	–	45595
Offshore Asia Smaller Mkts	$1.8147	1.9285	–	49795
Offshore Latin Amer Growth	$1.1123	1.1821	–	65825
Offshore European Grwth Fd	$2.7878	2.9626	–	46594
Offshore Global Bond	$0.9944	1.0350	–	49198
Offshore Global Bond Acc	$1.2078	1.2582	–	49197

The Portugal Fund Limited

Lloyds Bank International (Jersey) Limited

NAV Dec 20		$7.77	–	47455

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

TSB Fund Managers (CI) Ltd

TSB Jersey Pension	732.2	777.8	–	45892
Mixed Equity Acc	129.1	135.9	–	[illegible]

WMS Asset Management (Jersey) Ltd

Worldinvest (Managers) Jersey Ltd

LUXEMBOURG (SIB RECOGNISED)

Dolphin Intl Investments (n) SICAV

Dresdnerbank Asset Mngmt SA (u)

E.T. Investment Management Ltd

Fidelity Funds (u)

Lloyds Bank Luxembourg - Contd.

Threadneedle-Threadneedle Gib Assets (u)

LUXEMBOURG (REGULATED)(**)

Credit Investment Funds - Contd.

Merrill Lynch Asset Management

Societe Generale Group

CMI Insurance Co Ltd - Contd.

CMI Ins Co Ltd/Clerical Med Gen Life

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

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OTHER OFFSHORE FUNDS

هكذا من الأصل

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Dec 27 / Sch)

BELGIUM/LUXEMBOURG (Dec 27 / Frs.)

CZECH REP (Dec 27 / Korona)

DENMARK (Dec 27 / Kr)

FINLAND (Dec 27 / Mks)

FRANCE (Dec 27 / Frs.)

GERMANY (Dec 27 / Dm.)

GREECE (Dec 27 / Drachma)

ITALY (Dec 27 / Lira)

NETHERLANDS (Dec 27 / Fls.)

NORWAY (Dec 27 / Kroner)

POLAND (Dec 24 / Zloty)

PORTUGAL (Dec 27 / Escudo)

SPAIN (Dec 27 / Pts.)

SWEDEN (Dec 27 / Kronor)

SWITZERLAND (Dec 27 / Frs.)

TURKEY (Dec 27 / Tk Lira)

PACIFIC

JAPAN (Dec 27 / Yen)

HONG KONG (Dec 27 / H.K.$)

INDONESIA (Dec 27 / Rupiah)

MALAYSIA (Dec 27 / MYR)

NEW ZEALAND (Dec 27 / NZ $)

SINGAPORE (Dec 27 / S$)

AUSTRALIA (Dec 27 / Aus$)

SOUTH KOREA (Dec 27 / Won)

TAIWAN (Dec 27 / TW $)

THAILAND (Dec 27 / Baht)

AFRICA

SOUTH AFRICA (Dec 27 / Rand)

NORTH AMERICA

CANADA

TORONTO (Dec 27 / Cdn $) 4 pm close

MONTREAL (Dec 27 / Cdn $) 4 pm close

INDICES

	Dec 27	Dec 26	Dec 24	1996 High	1996 Low
Argentina					
General(29/12/77)	18472.87	18469.29	18239.82	18981.85 20/5	15097.25 22/8
Australia					
All Ordinaries(1/1/80)	2395.6	(c)	2381.4	2395.60 27/12	2086.10 17/7
All Mining(1/1/80)	952.5	(c)	(c)	1118.40 8/5	908.89 13/12
Austria					
Credit Aktien(30/12/84)	385.29	(c)	(c)	394.88 31/5	340.19 6/9
Traded Index(2/1/91)	1142.85	(c)	(c)	1142.85 27/12	975.27 2/1
Belgium					
BEL20(1/1/91)	1893.27	(c)	1878.36	1898.58 3/12	1574.90 2/1
Brazil					
Bovespa(29/12/83)	70069.0	69578.0	(c)	70069.00 27/12	43001.08 2/1
Canada					
Metals Mints♦(1975)	5226.96	(c)	5209.23	5834.80 8/5	4887.47 16/1
Composite♦(1975)	5902.81	(c)	5957.80	6018.85 28/11	4739.79 15/1
Portfolio♦(4/1/83)	2939.79	(c)	2907.24	3029.75 28/11	2327.39 12/1
Chile					
IPSA Gen(31/12/80)	4821.53	4813.87	4872.96	5804.33 8/1	4666.17 19/12
Denmark					
CopenhagenSE(3/1/83)	488.17	(c)	(c)	488.17 27/12	388.40 2/1
Finland					
HEX General(28/12/90)	2481.97	(c)	(c)	2481.89 10/12	1881.87 10/1
France					
SBF 250(31/12/90)	1554.13	1552.09	1544.91	1570.25 3/12	1280.16 2/1
CAC 40(31/12/87)	2306.85	2303.75	2289.55	2348.11 3/12	1867.88 11/1
Germany					
FAZ Aktien(31/12/58)	988.88	(c)	(c)	1006.38 5/12	818.56 2/1
Commerzbank(1/12/53)	2882.80	(c)	(c)	2938.80 5/12	2370.10 2/1
DAX‡(30/12/87)	2852.88	(c)	(c)	2909.91 5/12	2284.88 2/1
Greece					
Athens SE(31/12/80)	934.46	(c)	933.12	1017.06 4/9	872.99 7/8
Hong Kong					
Hang Seng(31/7/64)	13404.14	(c)	13341.81	13530.95 27/11	10204.87 2/1
India					
BSE Sens.(1979)	(c)	(c)	3085.20	4069.29 18/6	2745.86 4/12
Indonesia					
Jakarta Comp.(10/8/82)	637.43	632.49	632.74	637.43 27/12	512.48 2/1
Ireland					
ISEQ Overall(4/1/88)	(c)	(c)	2572.60	2709.04 4/10	2234.81 2/1
Italy					
Banca Comm Ital(1972)	658.18	(c)	(c)	674.10 20/5	572.21 27/3
MIB General(2/1/95)	1117.0	(c)	(c)	1142.00 20/5	920.00 27/3
Japan					
Nikkei 225(16/5/49)	19389.04	19291.58	19161.71	22666.80 26/6	19161.71 24/12
Nikkei 300(1/10/82)	278.34	278.30	275.36	319.70 26/6	275.36 24/12
Topix(4/1/68)	1466.80	1460.01	1448.45	1722.13 26/6	1448.45 24/12
2nd Section(4/1/68)	1820.74	1815.69	1825.19	2251.48 2/7	1815.69 26/12
Malaysia					
KLSE Comp.(4/4/86)	1209.00	1207.86	1208.32	1234.73 26/11	993.18 2/1
Mexico					
IPC(Nov 1978)	(c)	3310.89	3298.47	3403.25 27/8	2738.36 8/3
Netherland					
CBS TtlRtnGen(End 83)	736.4	(c)	730.3	736.40 27/12	539.50 2/1
CBS All Shr(End 83)	432.2	(c)	428.6	432.20 27/12	326.70 2/1
New Zealand					
Cap. 40(1/7/86)	2350.42	(c)	2344.70	2389.82 8/12	2025.14 7/6
Norway					
Oslo SE(Ind)(2/1/83)	1629.12	(c)	(c)	1629.12 27/12	1250.88 30/1
Philippines					
Manila Comp(2/1/85)	3170.56	3165.52	3152.63	3374.48 5/7	2576.97 2/1
Portugal					
BVL 30(4/1/93)	2159.86	(c)	(c)	2159.86 27/12	1802.81 2/1
Singapore					
SES All-S'pore(2/4/75)	530.24	529.99	528.91	619.37 5/2	503.78 21/10
South Africa					
JSE Gold(28/9/78)	1495.3♥	(c)	1489.1	2030.40 29/5	1348.40 2/1
JSE Ind.(28/9/78)	7815.2♥	(c)	7783.5	8738.30 25/1	7568.90 17/12
South Korea					
KoreaCmpEx**(4/1/80)	651.22	652.01	677.76	986.84 7/5	651.22 27/12
Spain					
Madrid SE(30/12/85)	440.51	440.08	(c)	440.91 27/12	323.75 11/1
Sweden					
AffarsvardnGen(1/2/37)	2378.2	(c)	(c)	2378.20 27/12	1708.80 22/1
Switzerland					
Swiss Bk Ind(31/12/58)	1665.97	(c)	1659.06	1665.97 27/12	1518.19 17/1
SBC General(1/4/87)	1315.68	(c)	1300.43	1315.93 3/12	1114.47 26/1
Taiwan					
Weighted Pr.**(30/6/66)	6863.02	6889.03	6835.72	6982.81 2/12	4690.22 6/2
Thailand					
Bangkok SET(30/4/75)	835.71	826.48	826.72	1415.84 6/2	818.79 20/12
Turkey					
Istanbul Comp.(Jan 1986)	97588.8	97425.6	93687.2	97588.80 27/12	38778.30 2/1
WORLD					
MS Capital Intl$(1/1/70)	823.3*	820.8	817.3	837.20 25/11	726.90 15/1
CROSS-BORDER					
Eurotrack 100(26/10/90)	1893.23	(u)	1885.91	1898.49 3/12	1504.40 11/1
Euro Top-100(26/6/90)	1605.16	(u)	1592.00	1605.16 27/12	1333.81 11/1
HSBC JC Dups(31/12/88)	(u)	411.31	411.44	420.28 27/11	344.19 2/1
ING Barings Emrg(7/1/92)	158.76	158.23	158.44	165.91 4/7	147.35 2/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ CAC-40 (200 x Index)							
Dec	2302.0	2305.5	+1.5	2314.0	2291.0	185	18,313
Jan	2307.5	2310.0	+1.5	2319.0	2295.0	8,796	12,437
■ DAX							
Dec	2874.5	2881.0	+16.0	2882.0	2872.0	5,241	–
Mar	2890.0	2893.0	+13.0	2892.5	2890.0	1,110	–
■ OMX							
Dec	1847.25	1854.50	+14.25	1856.00	1847.00	1,895	9,996
Jan	1853.25	1865.25	+9.50	1866.00	1853.00	3,537	26,733
■ SOFFEX							
Jan	3888.0	3929.8	+51.1	3930.1	3884.0	1,684	13,068

** Sat Dec 21: Taiwan Weighted Price 6900.49; Korea Comp Ex 693.14. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours Index: Dec 27 - 2858.22 +15.13.

US INDICES

Dow Jones	Dec 27	Dec 26	Dec 24	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	6560.91	6546.68	6522.85	6560.91 (27/12)	5032.94 (10/1)	6560.91 (27/12/96)	41.22 (8/7/32)
Home Bonds	103.62	103.56	103.56	106.09 (14/2)	100.99 (15/7)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	2287.69	2283.72	2257.83	2316.47 (5/12)	1882.71 (18/1)	2315.47 (5/12/96)	13.23 (8/7/32)
Utilities	236.95	234.35	234.07	238.12 (25/11)	204.86 (30/7)	256.46 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 6607.81 (6584.74) Low 6510.93 (6495.84) (Theoretical♣) Day's high 6576.90 (6563.21) Low 6537.46 (6522.08) (Actual♣)

Standard and Poors	Dec 27	Dec 26	Dec 24	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	756.79	755.82	751.03	757.03 (25/11)	598.48 (10/1)	757.03 (25/11/96)	4.40 (1/6/32)
Industrials♥	887.95	887.03	881.21	887.95 (27/12)	702.07 (15/1)	887.95 (27/12/96)	3.52 (30/6/32)
Financial	84.13	84.05	83.56	84.83 (29/11)	58.57 (10/1)	84.83 (29/11/96)	7.13 (4/9/74)
NYSE Comp.	398.10	397.07	395.00	398.86 (25/11)	321.41 (10/1)	398.86 (25/11/96)	4.64 (25/4/42)
Amex Mkt Val	581.93	582.02	581.35	614.99 (22/5)	525.60 (16/7)	614.99 (22/5/96)	29.13 (9/12/74)
NASDAQ Cmp	1291.39	1294.57	1287.83	1316.27 (9/12)	988.57 (16/1)	1316.27 (9/12/96)	54.87 (3/10/74)

■ RATIOS

	Dec 20	Dec 13	Dec 6	Year ago
Dow Jones Ind. Div. Yield	2.04	2.09	2.05	2.31
	Dec 18	Dec 11	Dec 4	Year ago
S & P Ind. Div. yield	1.87	1.85	1.83	1.98
S & P Ind. P/E ratio	22.74	23.04	23.05	18.75

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Comp Ass	17,941,900	48¼	-13⅛
AT & T	4,255,400	43⅝	+1⅛
Westinghse	3,116,600	19⅛	+⅛
Iomega	2,339,400	17⅛	-⅜
Motorola	2,298,200	61¼	-1⅛
Bellsouth	2,207,000	44	+3¼
K-Mart	2,161,300	10⅝	+¼
Officemax	1,931,800	10¾	+¼
Coca Cola	1,697,000	54	+⅜
ADT	1,721,000	23	+⅛

■ TRADING ACTIVITY

● Volume (million)

	Dec 27	Dec 26	Dec 24
New York SE	256.327	258.425	187.165
Amex	18.190	16.420	10.742
NASDAQ	(u)	396.517	268.461
NYSE			
Issues Traded	3,297	3,301	3,187
Rises	1,552	1,583	1,304
Falls	886	837	925
Unchanged	859	881	958
New Highs	173	187	102
New Lows	30	23	17

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
■ S&P 500							
Mar	764.80	764.60	–	766.10	761.20	24,524	184,087
Jun	771.60	771.15	+0.05	772.10	767.90	142	5,487
■ Nikkei 225							
Mar	19330.0	19400.0	+130.0	19450.0	19150.0	21,043	212,758
Jun	19330.0	19310.0	+80.00	19400.0	19180.0	61	23,034

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♣ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

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■ TOKYO - MOST ACTIVE STOCKS: Friday, December 27, 1996

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Yaohan Japan	6.4m	499	+51	Mitsubishi Hvy	3.5m	917	-7
Ricoh	4.7m	1,340	+20	Daido Steel Sheet	2.7m	1,670	+90
Tokuyo City Bank	4.6m	135	-27	Canon	2.7m	2,580	+80
NEC	4.3m	1,400	+40	Nippon Credit Bk	2.6m	304	
Toyota Motor	3.6m	3,320	+40	Daiwa Sec	2.6m	1,010	-30

4 pm close December 27

NEW YORK STOCK EXCHANGE PRICES

Continued on next page

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4 pm close December 27

NYSE PRICES

Continued from previous page

1996 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Chng
47⅞	39¼	Xtra Corp	0.72	1.6	17	161	44⅞	43¾	43⅞	-¼
25¾	20⅞	Yankee Egy x	1.30	6.0	11	217	21¾	21⅛	21¾	+¼
57	43⅞	York Intl x	0.38	0.6		162	55¾	55⅛	55¾	+½
4	3	Zapata			59	335	3⅝	3½	3½	
25¾	5⅝	Zn698				4260	11⅞	11¼	11⅝	+¼
28⅞	21¼	Zenith Nat	1.00	3.6	18	78	27⅞	27¼	27⅞	
7¼	6½	Zenix Inc x	0.73	10.1		166	u7¼	7⅛	7¼	
22⅞	15⅛	Zero	0.12	0.6	17	153	20¼	19⅞	20¼	+⅛
28	18½	Zurn Ind x	0.40	1.5	15	407	26¼	26	26¼	+⅛
11⅞	10½	Zweig Fund	1.08	9.9		318	10⅞	10¾	10⅞	
9	8⅛	Zweig Tot x	0.84	10.3		405	8¼	d8⅛	8¼	-⅛

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.
d-new yearly low. P/E price-earnings ratio. dc-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
§ Dealings suspended.

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AMEX PRICES

4 pm close December 27

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
NY TmA	0.60	54	248	39⅝	38¼	38½	+¼
NVR		7	172	u13	12⅞	12⅞	

NASDAQ NATIONAL MARKET

4 pm close December 27

FT GUIDE TO THE WEEK

MONDAY 30

Hopes for Hebron deal

Dennis Ross, the US Middle East peace envoy, returns to Israel to help finalise an accord on an Israeli troop withdrawal from most of the town of Hebron. In Mr Ross' visit to the region last week, Israeli and Palestinian negotiating teams made significant progress towards an agreement after nearly three months of stalled negotiations. If signed, Israel would withdraw its forces from 80 per cent of Hebron while maintaining a presence in Jewish settlement zones. The Israeli army has said it could redeploy rapidly after an agreement were signed. About 400 Jewish settlers live among some 120,000 Palestinians in the town.

Portillo in Chile

Michael Portillo, the UK defence secretary, makes an official trip to Chile, to be followed by a New Year's visit to the Falkland Islands. Mr Portillo will meet Perez Yoma, Chile's defence minister, and is also due to visit an arms factory. The factory, which produces the Rayo multiple launch rocket system, is run by a joint venture company formed by Royal Ordnance, a subsidiary of British Aerospace, and Famae, a state-owned Chilean manufacturer.

Mastering Enterprise

The 12-part FT Mastering Enterprise series on entrepreneurship continues in the Financial Times, with part seven. The series covers every stage from starting a company to building and sustaining entrepreneurial attitudes in large organisations and the public sector. (UK and continental editions only; for orders, call 0171 538 1164 or fax 0171 537 3594, price £4 per copy or £30 for the series.)

Tennis

Australian hardcourt championship, Adelaide (to Jan 5); Gold Coast Classic, Hope Island (to Jan 5).

Public holidays

Canada, Costa Rica, Philippines, San Marino, South Korea.

TUESDAY 31

Deadline for refugees

As trials for genocide get under way in Rwanda, the last of the Rwandan Hutu refugees are due to have left Tanzania following a forcible repatriation which started three weeks ago. The trial started last week in Kibungo of the first suspects accused of the 1994 slaughter of Rwandan Tutsis. The estimated 540,000 refugees – cowed by the leaders, who masterminded the genocide – have been returning home following their expulsion by the Tanzanian army.

Public holidays

Argentina, Azerbaijan Republic, Austria, Bangladesh, Belgium, Brunei, Bulgaria, Chile, Costa Rica, Denmark, Ecuador, Finland, Germany, India, Japan, Kuwait, Latvia, Liechtenstein, Montserrat, Nicaragua, Oman, Qatar, San Marino, Sri Lanka, South Korea, Sri Lanka, Sweden, Thailand, Vatican City.

ICE FALL: A child slips on the frozen Trocadero water fountains opposite the Eiffel tower in Paris. The cold spell is predicted to continue

WEDNESDAY 1

Netherlands leads EU

The Netherlands takes over the rotating six-month presidency of the European Union, aiming both to conclude the inter-governmental conference on the EU's future structure and set the ground rules for economic and monetary union. Officials say they do not intend to unveil specific Dutch initiatives on issues off the existing agenda. Their task will be complicated by a UK election which could be as late as May – a tight deadline to agree positions with the incoming government ahead of an Amsterdam summit in June. The summit is intended to produce a treaty following on from the Maastricht accord, reached when the Dutch were last in the chair.

Annan takes UN helm

Kofi Annan, the former United Nations special representative to Sarajevo, becomes UN secretary general. Mr Annan, who is from Ghana, will be the first UN secretary general from sub-Saharan Africa. He succeeds Boutros Boutros Ghali, whose five-year-term was marked by an acrimonious relationship with the US. Among the formidable problems he faces, Mr Annan will be looking to collect $1.3bn (£770m) in debts from the US, and seeking to raise the morale of a secretariat buffeted by down-sizing and charges of waste.

Franco loses face

Spain says farewell to the image of General Franco, as seven kinds of coin cease to be legal tender. The general, who ruled the country from the end of the 1936-1939 civil war, died in 1975, but coins from his epoch have remained in circulation. The aim of the change, which will also mean removing many more recent coins, is to simplify a notoriously confusing system. Spaniards have been operating for the last five years with three different kinds of Pta1 coins. For what it is worth (rather less than 0.5p), there will now be just one.

Saudi Arabia budget

Saudi Arabia, the owner of one-quarter of the world's proven oil reserves, is to announce next year's budget. Oil revenues will account for 75 per cent of the total, with this year's buoyant oil prices earning Saudi Arabia more than $10bn in extra revenues. Projected overall expenditure next year should be more than last year's $40bn, with the main areas of significant expenditure expected to be the power and water sectors, and oil and gas-related industries. State salaries and subsidies will continue to eat up most revenue.

Clarke in Mexico

Kenneth Clarke, the UK Chancellor, starts the year in Mexico with a retinue of bankers and treasury officials to drum up business for Britain. Mr Clarke and Ernesto Zedillo, the Mexican president, first met when they were both education ministers, but they will have more than school books to talk about when they meet in Mexico City. UK banks are keen to act as advisers to the Mexican government on forthcoming privatisations, and Mr Clarke will take his top privatisation specialists to underline Britain's expertise on the subject.

Public holidays

All countries except Afghanistan, Bangladesh, Bhutan, Egypt, Ethiopia, Iran, Libya, Nepal, Oman, Pakistan, Qatar, Saudi Arabia, Sri Lanka, Burma, Yemen.

THURSDAY 2

Strike at Scottish banks

Many branches of Scottish clearing banks are likely to be closed because of a planned strike in defence of the region's traditional New Year holiday. Only the Airdrie Savings Bank will escape the strikes – having agreed to restore the holiday. Sandy Boyle, the regional deputy general secretary of the Banking, Insurance and Finance Union, said that – the New Year being a distinctively Scottish holiday – the action was a defence of "family values".

Miami tackles shortfall

The Miami city commission is to adopt a recovery plan to help it stave off possible bankruptcy. The city, in its centenary year, faces a budget shortfall of $68m (£40.7m). The plan is to be overseen by a financial emergency board appointed by the Florida state governor, whose approval will be sought on February 1. Miami's budget problems are put down to corruption and a shift of the city's economic base to the suburbs.

Election in Singapore

Singapore's ruling People's Action Party (PAP) enters general elections with victory assured: opposition candidates are contesting only 36 seats in the 83-member parliament. The elections follow controversy over warnings by Goh Chok Tong, the prime minister, that housing estates which choose opposition politicians will not qualify for housing redevelopment – and run the risk of turning into slums.

Cricket

South Africa v India, second Test, Cape Town (to Jan 6).

Public holidays

Armenia, Botswana, Canada, Haiti, Japan, Kazakhstan, Korea, Liechtenstein, Mauritius, New Zealand, Romania, Russia, Seychelles, Slovenia, St Kitts-Nevis, St Lucia, St Pierre, Switzerland, Taiwan, Western Samoa, Yugoslavia.

FRIDAY 3

Finance bill published

Publication is expected of the UK government's finance bill, the legislation which formally implements the measures outlined in the budget statement of Kenneth Clarke, the chancellor. The bill is likely to contain proposals which weaken the Inland Revenue's duty of confidentiality to taxpayers. These measures would form part of the government's 'Spend to Save' crackdown on tax fraud – in which £800m is earmarked for investment to strengthen the Inland Revenue's capacity to fight tax evasion. The House of Commons debate on the bill will begin on January 14.

Franc under scrutiny

The French cabinet meets to discuss the replacement or reappointment of two out of the nine members of the Banque de France's monetary council, which is responsible for French monetary policy. The decision comes at a delicate time for the government, little more than a month after calls for depreciation or devaluation of the franc from Valéry Giscard d'Estaing, the former French president, and two monetary council members. The names chosen will be closely scrutinised by the markets for any hint that the government might be wavering in its determination to maintain the present franc-D-Mark exchange rate.

Earls Court boat show

More than 600 exhibitors will participate in what is probably the world's best known annual boat show, opening at Earls Court, London (to Jan 12). The 1997 London International Boat Show is expected to attract 200,000 visitors. According to the British Marine Industries Federation, more than 4.8m people in the UK take part in watersport activities, making it the third largest outdoor leisure pursuit.

Public holidays

Japan, Taiwan.

SATURDAY 4

Kohl visits Yeltsin

Helmut Kohl, the German chancellor, visits Moscow to meet Boris Yeltsin, the Russian president, who appears to be recovering well from his recent heart operation. The two larger-than-life leaders, who share a love of good food and bad jokes, have forged a close personal relationship over the years. Mr Kohl has strongly backed Mr Yeltsin despite the misgivings of many Germans about the war in Chechnya, and he will doubtless give strong support to Russia's attempts to press ahead with the next stage of economic reform.

Golf

Five Tours Andersen Consulting world championship, Scottsdale, Arizona (to Jan 7).

Athletics

World cross-country international, Belfast.

Public holidays

Angola, Myanmar, Zaire.

SUNDAY 5

Virgin goes CrossCountry

The Virgin Group makes its long-awaited entry into the UK rail market, taking over British Rail's CrossCountry division. The network, for which the group has won a 15-year franchise, covers 130 stations and includes Britain's longest rail journey – 700 miles – between Dundee and Penzance. Virgin promises to introduce seating, catering and entertainment standards similar to those of its airline.

Compiled by Simon Strong.
Fax: (+44) (0)171 873 3194.

ECONOMIC DIARY

Other economic news

Monday: US leading indicators are expected to have risen in November but existing home sales are forecast to have slowed. French unemployment is predicted to have remained steady in November.

Tuesday: US consumer confidence is forecast to have remained high in December. US new home sales are expected to have recovered in November after declining in the previous two months.

Wednesday: German industrial production figures this week are expected to show a recovery in manufacturing output in November.

Thursday: The US purchasing managers' index is forecast to have risen in December. The UK purchasing managers' index is expected to show that manufacturing output continued to strengthen in December although the pound's recent rise might have begun to affect exports.

Friday: UK personal borrowing figures will provide a measure of how strong consumer sentiment was in November. Belgian unemployment is expected to have declined in December.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	France	Nov unemployment rate	12.6%	12.6%
Dec 30	France	Nov jobseekers †*	0.2%	-0.4%
	US	Nov leading indicators	0.2%	0.1%
	US	Existing home sales	3.85m	3.97m
Tues				
Dec 31	Finland	Nov unemployment rate	15.5%	15.0%
	Switzl'd	Dec federal consumer price index*	0.0%	-0.1%
	Switzl'd	Dec federal consumer price index**	0.7%	0.7%
	UK	Dec M0*	0.6%	0.9%
	UK	Dec M0**	6.9%	7.5%
	US	BoT-Mitsubishi Dec 28		1.3%
	US	Nov new home sales	725k	714k
	US	Dec consumer confidence	106.9	107.3
	US	Dec Chicago PMI†	55.50%	57.6%
	US	Redbook Dec 28		0.5%
	US	Dec agriculture prices		-1.8%
Thurs				
Jan 2	UK	Dec Chart Inst of Purchasing Managers		54.4%
	US	Dec Nat Ass of Purchasing Managers	51.8%	52.7%
	Venezuela	Dec consumer price index*		3.1%
	Venezuela	Dec consumer price index**		109.2%
	US	Dec domestic auto sales	6.7m	6.5m
	US	Dec domestic light truck sales	6.4m	6.5m

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Fri	UK	Nov consumer credit	£900m	£856m
Jan 3	UK	Dec official reserves		-$98m
	Canada	Nov industrial production price index*		-0.5%
	Canada	Nov raw materials price index		0.5%
	US	Nov construction spending	-0.3%	1.8%
	Belgium	Dec unemployment rate		13.8%
During the week...				
	Germany	Nov industrial production pan-Ger*	1.0%	-1.8%
	Germany	Nov manufacturing output pan-Ger*	0.9%	-2.0%
	Germany	Nov industrial production, west*		-1.7%
	Germany	Nov industrial production, east*		-4.2%
	Argentina	Dec consumer price index*	0.13%	-0.2%
	Argentina	Dec consumer price index**	0.47%	0.36%
	Argentina	Dec tax revenue		$3.71bn
	Argentina	Nov trade balance	-$225m	-$175m
	Germany	Oct trade balance	DM9.0bn	DM8.3bn
	Germany	Oct current account	-DM3.3bn	-DM1.3bn

*month on month
**year on year
†Seasonally adjusted

Statistics, courtesy MMS International

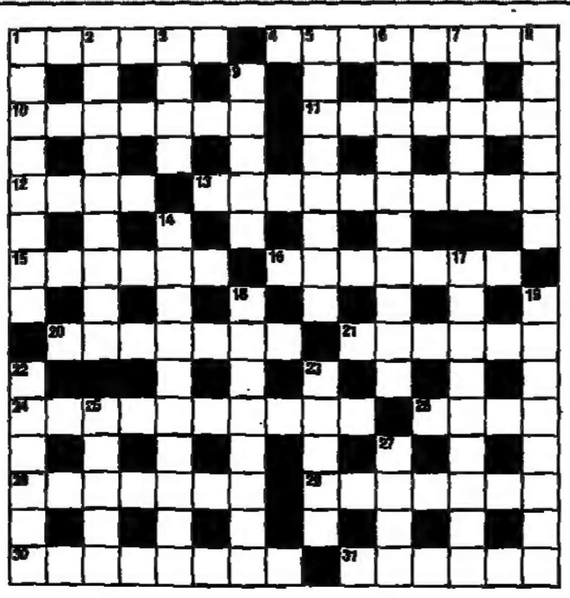
MONDAY PRIZE CROSSWORD

No.9,261 Set by VIXEN

A prize of a Pelikan New Classic 380 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday January 9, marked Monday Crossword 9,261 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday January 18. Please allow 28 days for delivery of prizes.

Name......

Address......



ACROSS

1 Think it's put on? (6)
4 Most spare a couple of thousand in most artful fashion (8)
10 Quietly referring to dead priest (7)
11 Trick that's really smart – an eye-opener (7)
12 Skilfully written article by outside left (4)
13 Making all ten move might appear spiteful (10)
15 Stopped wearing corsets (6)
16 He'd a run to organise – not tried as yet (7)
20 One follows a medico around in this place (7)
21 All-out attack (6)
24 Being classmates, make friends, naturally (10)
26 Venomous creatures investing a little money in dope (4)
28 Casual shirt – the rig could be less sloppy (7)
29 Feel the head should keep a record (7)
30 Residing when infirm where there's a good view (8)
31 "The weak alone —" (Byron) (6)

DOWN

1 Value well-set-out AI papers (8)
2 Fish kept in animal enclosure – a way to achieve balance (9)
3 Crazy about oriental drink (4)
5 Upholders of the Christian word (8)
6 Home-building team on site (10)
7 Avoid notice in the evening (5)
8 Not all the lot went yellow but quite a number (6)
9 The nut taking exercise has the power (5)
14 Bores may well have neater pets (10)
17 Bring back control – the country's behind it (9)
18 Made good and went (8)
19 To repeat: military personnel need a lock-up (8)
22 Bedding in disorder? (6)
23 Show an inclination to make cuts in the south-east (5)
25 Dickensian character having a smoke at home (5)
27 A song can give great pleasure (4)

Winners 9,252

Eileen Burrows, Old Hunstanton, Norfolk
P.B. Davis, Rotherham
Frank Donald, Dublin
J.L. Gedge, Bath
J. Kelly, Ramsey, Isle of Man
B.C. Stowe, Exmouth, Devon

Solution 9,252

JOTTER PAD

مكرر من الأصل